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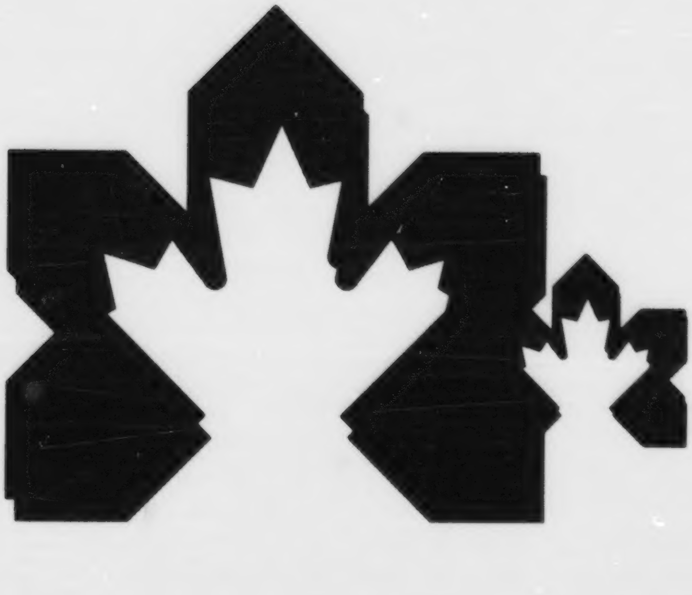

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EVALUATION OF THE FEDERAL CO-OPERATIVE HOUSING PROGRAMS

DRAFT REPORT

Program Evaluation Division

Canada Mortgage and Housing Corporation

September 1990

Ce rapport est aussi disponible en français auprès de la Division de l'évaluation de programme.

EVALUATION OF FEDERAL CO-OPERATIVE HOUSING PROGRAMS

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I INTRODUCTION

There are several reasons for conducting an evaluation of co-operative housing programs at this time.

As a condition in approving the new Co-operative Housing Program in 1986, Cabinet directed that a full evaluation of the program, including the validity of index-linked mortgages, be carried out and submitted to Cabinet before additional funding beyond the first five years is allocated.

In addition, because the Federal Co-operative Housing Program (FCHP) is experimental in its use of an innovative financing technique (the index-linked mortgage), a comparative evaluation of this program in conjunction with previous versions of co-operative housing programs would provide a useful basis for future policy discussions and consultations. The inclusion of earlier programs will allow the evaluation to determine the long-term costs and benefits accruing over the life of co-operative projects.

Further, it is the policy of the Office of the Comptroller General (OCG) and adopted by the Corporation that programs be evaluated on a periodic basis, usually over a five-year planning horizon. Given that the last evaluation of the Section 95 Non-profit and Co-operative Housing Program was completed in 1983, this version of the co-operative housing program is due for evaluation. The pre-1978 Section 61 Co-operative Housing Program was included in the Social Housing Review prepared in 1984 but has never been the subject of a separate evaluation.

A. Scope of the Evaluation

The evaluation of co-operative housing programs is restricted to the three unilateral federal programs which have been in existence since 1973 to financially assist in the development of co-operative housing. Earlier co-operative housing projects which were funded by the federal government as pilot projects will not be specifically reviewed. The relatively small number of co-operatives jointly funded under the post-1985 Non-profit Housing Program will be included in the evaluation for comparative purposes but will not be explicitly evaluated until a future date.

A number of issues common to all three versions of the co-operative housing programs have been developed and assessed as part of the evaluation process. However given that Sections 61 and 95 Co-operative Housing Programs are no longer active, much of the evaluation's emphasis for these two programs is on the management of the existing stock. Conversely, the new Federal Co-operative Housing Program has been active for a relatively short period of time, with the first projects committed in late 1986. The evaluation therefore examines specific program design and delivery details associated with the new program. Program delivery is not addressed as an issue for the two earlier programs. As integral components of the Federal Co-operative Housing Program, the evaluation also examines other federal programs used in conjunction with the co-operative program. These include Proposal Development Funding, Rent Supplement and funding for community resource groups.

B. The Structure of the Canadian Co-operative Housing Movement[1]

The co-operative housing movement in Canada is multi-tiered. It comprises a national organisation of housing co-operatives, local, regional and provincial organisations which develop new co-operatives and provide services to existing ones, associations of people employed by co-operatives, and housing co-operatives themselves. Members of the national association join directly, or indirectly through membership in another organisation.

The movement is founded on democratic principles, so each member enjoys one vote in the organisations to which they belong directly.

a) The Co-operative Housing Federation of Canada[2]

The Co-operative Housing Federation of Canada (CHF) is the national association of non-profit continuing housing co-operatives and their support organisations. CHF's mandate is to support the development of non-profit continuing housing co-operatives in Canada and to ensure the viable operation of existing housing co-operatives. It was founded in 1968 by the Canadian Labour Congress, the Co-operative Union of Canada and the Canadian Union of Students.

CHF provides services to developing and existing co-operatives including technical consultation with co-operative development groups, creation of co-operative management educational materials, co-operative staff and volunteer instructor training, financial and management consulting and financial assistance, production of a quarterly co-operative news letter and bulk purchasing of services such as insurance. It also undertakes research and public relations on behalf of housing co-operatives and works with the federal government on the co-operative housing program.

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[1] Communique, Co-operative Housing Foundation of Canada, May, 1988.

[2] A number of co-operatives funded under the NHA are not affiliated with the Co-operative Housing Federation and continue to operate outside this formal structure.

Each member of CHF appoints one delegate as its liaison to the national association. Delegates convene annually at a general meeting to vote on policy matters and elect CHF's board of directors.

b) Provincial Confederations

Provincial confederations exist in Ontario and Québec. They act as vehicles for information sharing and provincial political action on issues affecting the sector. The Co-operative Housing Association of Ontario (CHAO) represents Ontario resource groups, co-operative housing federations and staff associations. CHAO and its members belong to CHF. In Québec, co-operative housing resource groups and federations have evolved differently. The resource groups are organised into six associations which liaise through the Coordination Nationale des GRTs. The five Québec federations belong to the Confédération Québecoise des Coopératives d'Habitation (CQCH). Informal links exist between CQCH and the Coordination Nationale des GRTs. Although the Québec federations, resource groups and resource group associations are members of CHF, the two confederations are not.

c) Co-operative Housing Federations

Co-operative housing federations are local associations of housing co-operatives. The federations train co-operative members to manage their projects independently, and they provide them with consultative services. They also provide co-operatives with a place to share information and exert political pressure.

Most federations are members of CHF and are represented on its operations committee. All federations receive their mandate from their member housing co-operatives, which convene annually or semi-annually to vote on policy matters and elect directors.

d) Co-operative Housing Resource Groups

Co-operative housing resource groups help people to organise and develop non-profit housing co-operatives locally. The development of large housing projects is a complex task that can take years. Resource groups provide specialised technical assistance throughout the development process. Services provided by resource groups fall into two broad categories: property development and membership development.

Co-operative housing resource groups participate in CHF at the annual general meeting and are represented on CHF's development committee[1]. The committee meets twice yearly to advise the board of directors on issues relating to the development of new housing co-operatives.

In some areas, one organisation acts as both a resource group and a federation.

e) Housing Co-operatives

Housing co-operatives are incorporated, non-profit businesses organised by people who have joined together to provide their own housing through joint ownership.

Co-operatives are member-controlled organisations, and the people who occupy the housing owned by the co-operative corporation are its members. Unlike tenants in a traditional rental situation, each member has one vote in the operation of the co-operative. Every year the members elect, from among themselves, a Board of Directors to manage the business and affairs of the co-operative. Instead of rent, members pay a monthly housing charge to cover the cost of the mortgage, taxes and all operating expenses. There is no landlord, and housing charges rise only as costs increase.

Membership means joint ownership and control of one's housing. From the co-operative's inception, the members decide on design, development and policy. Later, they serve on committees responsible for activities including member selection, maintenance, finance and newsletters. Each member can run for election to the Board of Directors. All are asked to attend members' meetings. Staff or other professionals may be hired to handle specific problems, but the final decisions and responsibility rests with the members. Members do not individually own the units they occupy but lease them from the co-operative.

Co-operative housing which operates on a non-profit basis is designed to be affordable. It may not be bought or sold for profit.

Members of housing co-operatives have the right to permanent residency (security of tenure) as long as they respect the obligations of membership. Joint ownership eliminates the insecurity of the rental market by putting control of housing stock in the hands of resident members.

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[1] A number of co-operative housing resource groups are not affiliated with the Co-operative Housing Federation and continue to operate outside this formal structure.

Each member has a vote in making decisions on matters such as housing charges, the election of directors and the rules and regulations members will be expected to follow.

Within the budget limits set by members, the co-operative seeks to provide the highest quality housing possible - both in initial construction and through continuing maintenance. Co-operatives are required, by government rules, to maintain capital reserves for the replacement of worn-out buildings and equipment.

C. Program History

The federal government's specific involvement in financing continuing co-operative housing formally began in 1973 with the introduction of a Co-operative Housing Program under Section 61 of the National Housing Act[1]. Although the federal government, through Canada Mortgage and Housing Corporation, funded a number of earlier pilot projects, it was not until June 1973 that a program was formally established for the specific purpose of financially assisting co-operative housing in Canada.

The Section 61 Co-operative Housing Program involved the provision of 100 per cent preferred financing directly by CMHC and 10 per cent capital contributions to co-operative housing groups. This financing was made available using the terms and conditions of Section 27 (Non-profit Housing) to construct, acquire or improve a housing project with the intention of providing housing to households who would occupy the housing as non-owners. The loan was at a preferred interest rate (initially 8 per cent) with an extended amortisation period of up to 50 years. In addition, Rent Supplement for low-income tenants was provided through Section 82(1)(b) of the National

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[1] Changes to the numbering of all NHA sections were effected on December 12, 1988 by proclamation of the Revised Statutes of Canada, 1985. All references to the NHA in this report use the new section numbers. Old sections of the NHA and their corresponding new section numbers are:

OLD NHA SECTION	NEW NHA SECTION	SUBJECT
15	26	Limited Dividend
15.1	27	Pre-1979 Non-profit
34.18	61	Pre-1979 Co-op
36	74	CROP
37.1	76	Start-up (PDF)
40	79	Pre-1979 F/P Bldg Co-op
44	82	Rent Supplement
56.1	95	Post-1978 Co-op
58	97	Direct Loans

Housing Act and was cost-shared 50/50 with the respective provincial governments.

Amendments to the NHA in 1978 resulted in the introduction of a new Non-profit and Co-operative Housing Program under Section 95. Under this modified Co-operative Housing Program, primary responsibility for financing shifted to Approved Lenders with the mortgages written at existing market rates of interest and amortised over 35 years (typically in 5-year terms). Available financing remained at 100 per cent of eligible costs. CMHC's annual subsidy consisted of an amount which would bridge the gap between economic rent (rent which would have to be charged to break-even) and the low-end of market rent in year one plus an RGI component. This was accomplished through the provision of a subsidy on the mortgage interest rate. The maximum subsidy would reduce the effective mortgage interest rate to 2 per cent. Instead of Section 82(1)(b) Rent Supplement, low-income tenants in Section 95 co-operative housing projects receive rent-geared-to-income assistance through the ongoing Section 95 mortgage-financing assistance. A minimum 15 per cent of units are required to be provided on a rent-to-income basis providing there are sufficient funds in the subsidy pool to permit them to do so.

The new Federal Co-operative Housing Program (FCHP), introduced in 1986, relies on an innovative mortgage financing instrument called the Index-Linked Mortgage (ILM). Private lenders receive a guaranteed real rate of return after inflation for a period of between 30 and 35 years. As such, annual interest payments fluctuate annually depending on changes in the general economy-wide price level. Mortgage payments rise over the amortisation period at the rate of inflation less 2 per cent. Initial rents for the housing co-operative are set at market levels. Federal financial assistance initially bridges the gap between economic and market rents. Additional assistance to low income households takes the form of federally cost-shared Rent Supplement (minimum 15 per cent of units). Figure 1.1 summarises the main parameters of the three programs.

FIGURE 1.1
FEDERAL CO-OPERATIVE HOUSING PROGRAMS
PROFILE SUMMARY CHART

	Section 61 (1973-1978)	Section 95 (1979-1985)	Index-Linked Mortgage (1986-)
FINANCING:			
Mortgage Type:	100% EPM	100% EPM; usually NHA insured	100% ILM; NHA-insured with Stabilisation Fund
Mortgage Origination:	CMHC direct	Private lenders; CMHC as lender of last resort	Private lenders
Amortisation Period:	50 years	35 years	30 years planned; 35 years maximum
Term:	5 or 50 years	Market-determined (typically 5 years)	30 years planned; 35 years maximum
Interest Rate:	8 %	Market-determined	Market-determined; fixed real rate plus inflation
BASIC FEDERAL ASSISTANCE:	10% capital contribution earned over mortgage repayment period; Interest Reduction Grant to provide 8% interest.	Annual contributions to write-down mortgage interest rate to 2% over first 3 years; gradual step-out after 3rd year such that net mortgage costs increase 5% per year until full amortisation is being paid.	Annually indexed inflation less 2% contributions if necessary to bridge gap between economic and market rent in year 1; assistance reduced after 15th year (one time reduction).
INITIAL OCCUPANCY CHARGE:	Net economic rent after assistance.	Low end of market rent	Market rent
ADDITIONAL TARGETED ASSISTANCE:	Subsidy/surcharge system where lower income occupants pay reduced occupancy charges; Rent Supp. also available to a max. 25% of units.	Existing subsidy pool used to reduce occupancy charges for lower income occupants: Rent Supp. available only if prov matches 95. Minimum 15% of units must be eligible for subsidy based on established rent-to-income scale.	Security of Tenure Fund for temporary assistance. Rent Supplement available for up to 50% of units in project by province. Originally 30% of units in project.
INCOME LIMITS FOR TARGETED ASSISTANCE:	Upper limit, Stats Can 2nd quintile of family income.	Those for whom project costs exceed 25%.	CNIT. Those for whom market rents exceed 30%.
COST CONTROLS:	Benchmark costs	MUPs	MUPs
MISC:			Stabilisation Fund

D. Data Sources

In the course of this evaluation, a number of data collection and data compilation activities were undertaken:

a) Co-operative Resident Survey

A survey was completed of about 9,700 co-operative member/residents living in 300 co-operatives across the country. An 80 per cent response rate was achieved, which was critical given the need to compare the characteristics and opinions of RGI and non-RGI residents. The survey was conducted predominantly by mail with some telephone follow-up. In addition to collecting information on the characteristics of residents and their units/ co-operatives, data was also collected on co-operative management, quality of life and overall physical condition. The Co-operative Resident Survey was conducted by SPR Associates.

b) Co-ordinators/Managers Survey

Co-ordinators and/or managers of all 1,500 co-operatives in Canada were asked to complete a mail questionnaire covering the following topics: characteristics of the co-operative, market/demand for co-operative housing, management practices and manager characteristics, resident turnover and vacancy rates, co-operative condition and maintenance and co-operative services/community impacts. With mail and telephone follow-up, this survey also achieved an 80 per cent response rate. The Co-ordinators/Managers Survey was conducted by SPR Associates.

c) Physical Condition Survey

A survey was undertaken to establish the physical condition of a sample of 500 co-operatives across the country. This work included an examination of a sample of units, sites and buildings in these projects, the actual proportion of these inspected in a co-operative dependant upon the size of the co-operative. Also determined during the inspection was the cost of needed repairs and replacements. This survey is intended to provide reliable results at the national level only. The survey was conducted by CMHC inspectors.

d) ILM Risk Analysis Study

This study involved actuarial analysis applied to a specialised risk model and examined the potential risk of default and the required premiums for the Mortgage Insurance Fund (MIF) and the Federal Co-operative Housing Stabilisation Fund (FCHSF) using available program data. The study further examines the risk of default associated with alternative program designs. In addition, the study reviews the trade-off between the level of supply assistance and the risk of default. The study was conducted by the Coles Group.

e) Federation and Resource Groups Survey

This survey covers federations and resource groups, including those not affiliated with the Co-operative Housing Federation of Canada. The total population is about 95 federations and resource groups and, with telephone follow-up, a 63 per cent response rate was achieved. The survey collects information on the characteristics of federations and resource groups and their views on a range of issues dealing with co-operatives. A separate section deals with the 1986 Federal Co-operative Housing Program.

f) Co-operative Case Studies

Twelve case studies were conducted across Canada to collect qualitative information to supplement and assist in explaining the quantitative information collected through the various surveys. Interviewers focused on the benefits of co-operative housing (i.e., member/resident involvement, resident control, resident training and education, security of tenure, income mix/social integration, community impacts). This work was conducted by SPR Associates.

g) Co-operative Characteristics Data and Operating Expense Data

The evaluation relied heavily on CMHC program monitoring data bases for creating a profile of co-operatives (AGRSH.AG) and for analysing financial expenses of co-operatives (AGRSH.RX).

h) Background Studies: Security of Tenure and Tax Aspects of Co-operatives

Three papers were commissioned on these topics to provide supplementary information which would assist in the discussion of rationale issues.

i) Survey of Lenders/Investors

Two surveys were undertaken to solicit the views of ILM lenders/investors (16 questionnaires) and potential ILM lenders/investors (106 questionnaires) on the ILM mortgage instrument. Overall, a 44 per cent response rate was achieved for the former group and a 27 per cent response rate for the latter.

j) CMHC Delivery and Portfolio Management Survey

The experiences of CMHC delivery and portfolio management staff in CMHC branch offices with responsibilities in these areas were surveyed. With electronic message follow-up, response rates of 67 and 69 per cent respectively were achieved.

E. Consultation

CMHC consulted with a range of groups at the planning stage (Assessment Report) of this evaluation. These included the Co-operative Housing Federation of Canada (CHF), the Canadian Home Builders' Association (CHBA), the Federation of Canadian Municipalities (FCM), the Canadian Housing and Renewal Association (CHRA), the Urban Development Institute (UDI), the Federal Co-operative Housing Stabilisation Fund (FCHSF), provincial housing agencies, federal central agencies and CMHC national office and field staff. All comments received were considered for incorporation in the final version of the plan.

CMHC also provided the Co-operative Housing Federation of Canada with the opportunity to comment and provide input on major data collection, survey or study terms of reference and survey instruments for this evaluation as they were developed.

It should be noted that CHF's support for data collection and corresponding communication of this support to co-operatives has been instrumental in achieving a high level of co-operation from co-operatives in providing survey information.

F. Structure of the Report

In responding to the evaluation issues identified in the Assessment Report of October 19, 1989, this evaluation addresses several categories of issues:

a) First, the evaluation provides data on the characteristics of co-operatives, residents and manager/co-ordinators of co-operatives, federations and resource groups.

b) Second, the evaluation seeks to assess the various rationales for co-operative housing. Chapter IV introduces a range of rationales for consideration. Assessment of these rationales is discussed throughout the report and conclusions are presented in Chapter XIV. The need and demand for co-operative housing is discussed separately.

c) Third, the evaluation assesses the extent to which program objectives have been achieved. The extent to which the programs are serving low- and moderate-income households and the extent to which they are providing adequate, suitable and affordable housing is assessed. The provision of security of tenure in FCHP projects is also examined.

d) Fourth, the evaluation examines the benefits of co-operative housing. This section discusses the impact of housing co-operatives on its residents and the impact that co-operative residents have on co-operative housing and the surrounding community.

e) Another grouping of issues concerns the delivery and management of co-operative housing. This includes an examination of management practices in co-operatives and a discussion of the physical condition of the co-operative housing stock.

f) A final grouping of issues reviews the financial environment surrounding co-operatives. The ILM mortgage instrument is examined, program costs are presented and the cost-effectiveness of co-operative housing programs is detailed.

II THE EVOLUTION OF FEDERAL INVOLVEMENT IN CO-OPERATIVE HOUSING

A. Pre-1973 Involvement

The origin of the co-operative housing movement in Canada can be traced back to 1932 when the Nova Scotia government passed the provincial Housing Act enabling it to fund housing. The first co-operative housing group was launched in Cape Breton in 1937 and was named the Arnold Housing Co-op. This co-operative group was organised through the Extension Department of St. Francis Xavier University. One year later, in 1938, this building co-operative began construction on the first co-operative houses, after necessary amendments were made to the Provincial Housing Act to allow credit to be made available to co-operatives.

The first building co-operative constructed 11 housing units and, between 1938 and 1953 when the federal government joined the Nova Scotia government to cost-share building co-operatives, 406 housing units were constructed by 35 co-operatives in Nova Scotia. Most of these building co-operatives were concentrated in Cape Breton.

Within several years of its emergence in Nova Scotia, the co-operative housing movement began spreading to other provinces. Building co-operatives were organised in Quebec (1941), in Newfoundland (1944) and in Ontario (1946). Most of these co-operative groups were sponsored by government agencies or by churches.

The National Housing Act permitted direct loans to be made to building co-operatives starting in 1944, but insured loans were only available in 1953. In that year, CMHC jointly undertook with the Nova Scotia Housing Commission to fund the construction of co-operative housing under Section 79 of the National Housing Act. This section permits the Corporation to participate in a joint undertaking with any province, the acquisition and development of land for housing purposes; or, the acquisition, improvement and conversion of existing buildings for housing purposes.

The Section 79 Co-operative Housing Program involved the provision of Section 79 funds to the provinces who, in turn, provided co-operative companies with loans to assist in the construction of housing for their members. When the housing units were completed, they were sold to the members for the cost of construction with the province holding each mortgage. Funds under this program were available in Nova Scotia (1953), P.E.I. (1960), New Brunswick (1970) and Saskatchewan (1975), provinces who had signed cost-sharing agreements with the federal government. This program later became known as AHOP/COOP with the introduction of the federal AHOP Program in 1973, although the two programs were never really related.

The last loans under federal cost-sharing arrangements were made in 1978.

In the early years of the co-operative housing movement and leading up to the mid-1960's, virtually all co-operatives were "building" co-operatives. These building co-operatives were a group of people who formed a co-operative for the purpose of jointly constructing their own homes (frequently using "sweat equity"). After their homes were built, each household would take possession, although the co-operative would typically continue to repay a common mortgage (although in 1970-71 the individual co-operative mortgage was introduced whereby each member assumed a separate mortgage). As such, building co-operatives were essentially a type of homeownership venture which is quite distinct from the nature of the more recent "continuing" co-operative. The building co-operative movement had, over the years, sought access to low-interest funds provided under Section 26 for low-rental housing. The position of the federal government, however, was that building co-operatives were not eligible since they were not rentals. CMHC's view at that time was that social housing assistance programs should not enable asset accumulation by program recipients.

The 1960's saw the development and growth of the "continuing" co-operative movement. In 1965, the Co-operative Housing Association of Manitoba completed Canada's first continuing housing co-operative for families. The 200-unit Willow Park townhouse project in Winnipeg was completed with financial support by CMHC, the Co-operative Credit Society and the City of Winnipeg. Occupants in Willow Park were originally required to make a down payment ranging from $556 for a one-bedroom unit to $889 for a four-bedroom townhouse. Monthly rent payments, which included all basic shelter costs, ranged from $91 to $137. Within several years of the completion of the Willow Park demonstration project, construction began on a number of other continuing co-operatives in Ontario and British Columbia.

With the continuing co-operative movement beginning to grow, the Co-operative Union of Canada (CUC), the Canadian Labour Congress (CLC) and the Canadian Union of Students (CUS) jointly founded in 1968 the Co-operative Housing Foundation of Canada (CHF) with the financial assistance of CMHC. The Co-operative Housing Foundation's mandate has since been "to promote the development of continuing housing co-operatives and to provide organisational, technical and administrative services to emerging and, eventually, existing housing co-operatives". Within its first year of existence, the CHF submitted a brief to the Hellyer Task Force on Housing and Urban Development, pressing for legislation for the financing of continuing co-operatives.

Amendments to the National Housing Act in June 1969 widened the definition of eligible borrowers to include co-operatives under the Section 26 Limited Dividend provision of the Act. However given the inherent inconsistency of requiring low-income tenant households to put up the minimum five per cent down payment under the Section 26 provision and the ongoing CMHC position that co-operatives were not in fact rental housing, the Corporation did not use this section of the Act to assist co-operative housing.

In 1970, the federal government introduced a $200 Million low-cost housing fund which was meant to finance innovative ways of providing affordable housing. Under the Section 97 direct homeownership loan provision of the NHA, CMHC financing was extended to 11 pilot co-operative projects at below-market rates of interest. These loans were provided to co-operatives at the prevailing Section 26 interest rate and low-income tenants still had to put up the necessary 5 per cent equity. In exchange for the preferential lending terms, the co-operative had to agree through its operating agreement to administer a "subsidy/surcharge" arrangement in which rent surcharges from higher-income households would be used to offset rent subsidies for lower-income tenants. This arrangement was expected to result in:

- a reduction in the need for additional subsidies;
- an income mix; and
- an avoidance of the use of "kick-out" provisions in the operating agreements whereby higher-income tenants would be asked to leave if their incomes exceed some threshold.

B. Introduction of the First Federal Co-operative Housing Program

By 1973, a major reconsideration of federal social housing policy culminated in a package of amendments to the National Housing Act. Central to these changes was the wider public acceptance of the notion that there ought to be a variety of choices of housing types and tenures with wider income ranges in assisted housing. Income-mixing was seen as being not only socially desirable but that it would also require fewer subsidies to operate projects. Public housing and Limited Dividend housing would no longer be the cornerstones of federal social housing policy. Although they would continue until at least 1978, the emphasis was to shift to municipal and voluntary non-profits, and housing co-operatives. In 1973, the Assisted Home Ownership Program (AHOP) was also introduced to encourage low- and moderate-income households to acquire their own homes.

A new federal Co-operative Housing Program was therefore implemented under Section 61 of the National Housing Act in

1973. With the introduction of this program, continuing co-operatives (ie co-operatives which continue to function as a non-profit organisation once construction is complete) now had access to 100 per cent financing for the first time. An additional package of subsidies for co-operative housing as part of this program included:

- 10 per cent of the capital cost would be directly subsidised by a capital contribution from CMHC (earned over the life of the mortgage);
- a preferred mortgage loan provided directly by CMHC at the Section 26 interest rate (8 per cent) representing 100 per cent financing over 50 years (ie. on the remaining 90 per cent of the capital cost not covered by the capital contribution);
- "Start-up" grants up to $10,000 would be provided to local co-operative groups wishing to develop a proposal for a co-operative housing project; and
- operating grants under the Community Resource Organisation Program (CROP) were made available to resource groups providing organisational and technical assistance to co-operative groups.

The stated objectives of the Section 61 Co-operative Housing Program were:

- to provide modest, affordable housing appropriate to the needs of low- and moderate-income families and individuals;
- to house mainly families whose incomes may be too high for public housing, but who cannot compete in the open market for housing;
- to encourage the integration of families and individuals of varying incomes.

At the same time that legislation was passed in 1973 enabling the Corporation to fund continuing co-operatives, Section 82(1)(b) of the NHA was promulgated to provide additional rent subsidies to low-income co-operative households. This Rent Supplement Program, for specific use in non-profit and co-operative housing projects, would be cost-shared with provincial governments willing to participate. However, the Rent Supplement Program was not implemented at that time. Section 82(1)(b) program funding was subsequently announced on 4 March 1975 for provinces for which federal/provincial master agreements had been signed.

A feature of the pre-1973 experimental co-operatives funded by the federal government and retained under the Section 61

Co-operative Housing Program was the use of a surcharge/subsidy mechanism. In the aggregate, each co-operative was required to operate on a non-profit (break-even) basis. However, the operating agreement required that higher-income households pay a rent surcharge which would be offset by lower rents being charged to low-income households in the co-operative. A subsequent evaluation of the program found that the surcharge/subsidy mechanism was only infrequently used, partly because non-RGI rents were already near market levels in the early years of these projects.

A minor modification made to the Section 61 Co-operative Housing Program in 1975 was the introduction of the Interest Reduction Grant (IRG) by amendment of the NHA in December 1975. Until December 31, 1975, all co-operative housing loans were written at 8 per cent notwithstanding that CMHC's borrowing rate was higher than 8 per cent. The purpose of introducing IRG's was to explicitly identify the amount of the loan which was being subsidised by CMHC through the lower interest rate.

The introduction of the Section 61 Co-operative Housing Program was a major impetus for the rapid development of the co-operative housing movement in Canada.

C. The Section 95 Amendments

A major rethinking of the federal government's social housing strategies resulted in a package of amendments to the NHA in 1978. The federal subsidies provided under previous programs (including Section 61 Co-operative Housing) were viewed as too shallow and insufficient to meet the needs of the lowest-income groups without the voluntary contribution of additional "stacked" subsidies by the provinces. The 1978 amendments were designed to streamline social housing assistance into a single financial subsidy mechanism, capable of meeting the needs of both low- and moderate-income households, and available to both public and private sponsors, provinces, private non-profit organisations, and co-operatives.

Other specific problems which were perceived to exist within the Section 61 Co-operative Housing program included:

- subsidies which did not permit the production of units affordable to lower-income households;
- the program required large amounts of direct capital funding at a time when federal government cash requirements were growing rapidly.

The NHA amendments, announced in May 1978 and taking effect in January 1979, placed most of the federal government's social housing emphasis on the new Section 95 Non-profit and

Co-operative Housing Programs. Within the Section 95 Co-operative Housing component, the basic program rationale remained the same as before: to serve the needs of households unable to afford decent housing accommodation, while encouraging a mix of family-income levels to live in these co-operative housing projects. The active encouragement of a mix of household incomes to live in federally sponsored social housing projects was justified on the grounds that "social tensions" due to concentrations of low-income households would be avoided and neighbourhood resistance would be reduced.

Under the Section 95 Co-operative Housing Program, mortgage loans for 100 per cent of capital costs were to be obtained from Approved Lenders and insured by CMHC. The Corporation remained lender of last resort. This feature of the new program replaced the direct mortgage loans provided under the Section 61 Co-operative Housing Program and was expected to reduce the federal government's cash requirements. By leveraging private funds, it was believed that a larger social housing effort could be mounted with a given level of limited cash requirements, although there was some expectation that this would increase government budgetary requirements.

The unilateral federal subsidy was intended to bridge the difference between each project's annual costs and revenues given rents which would be set at the lower end of market for moderate-income households and geared to income for low-income households. The maximum operating subsidy which could be provided was set at that amount which would reduce the effective mortgage interest rate to 2 per cent from the market rate which was contracted from private lenders, amortised in 5-year terms over 35 years. This funding mechanism in effect combined the two primary subsidies available under the Section 61 program: the Interest Reduction Grant (reducing the interest rate to 8 per cent) and the 10 per cent capital contribution.

Other features of the Section 95 Co-operative Housing Program were somewhat analogous to its predecessor. A component of the federal contribution was to be used to further subsidise the rents of lower-income households in the co-operative in a similar manner to the rent surcharge/subsidy mechanism used for Section 61. Other programs, both provincial and federal, could also be "stacked" with or used in support of the Section 95 program including Section 82(1)(b) Rent Supplement, Section 76 Start-Up, and Section 74(g) CROP. In addition, a minimum 15 per cent of households in the co-operative were required to be RGI.

The objectives of the Section 95 Co-operative Housing Program were therefore:

- to provide modest, affordable housing appropriate to the needs of low- and moderate-income families and individuals;
- to produce housing at minimum cost by implementing appropriate cost controls; and,
- to encourage approved lenders to provide capital for low and moderate income housing needs.

Assistance provided under the Section 95 Co-operative Housing Program was initially intended to provide a basic level of federal financial support upon which the provinces could stack additional assistance. However, the federal government agreed in June 1978 to further cost-share any remaining operating losses after equal provincial contributions on the interest rate differential. This meant that if the province matched the initial federal contribution, the federal government would match any additional provincial contributions, providing the project is not generating surpluses. This feature was never taken up by any province for co-operatives.

Annual unit commitments under the Section 95 Co-operative Housing Program progressively rose from 1,883 in 1979 and peaked at 6,578 in 1982 and 6,164 in 1983. However, as interest rates rose to unprecedented levels in the early 1980's, so too did Section 95 levels of subsidies. The mid-1980's also saw a gradual reconsideration of the concept of income-mixing and the view that limited social housing resources should be directed to moderate-income households not requiring assistance began to be openly questioned. In January 1985, the new federal government issued a Consultation Paper on Housing which initiated the process of restructuring Canadian social housing programs. The results of this consultation were released later that year by the Minister Responsible for CMHC, entitled "A National Direction for Housing Solutions". The two major thrusts of this new federal social housing policy involved the targeting of all social housing funds to households in core housing need and the transfer of program delivery to the provinces. The existing Section 95 Non-profit and Co-operative Housing Programs were terminated in 1985, however, a provision was made so that co-operative housing could be delivered by the provinces under the new Post-1985 Non-profit Housing Program. At this time, the Competitive Financing Renewal Process (CFRP) was also introduced to reduce the interest costs of the Section 95 Non-profit and Co-operative housing programs.

D. The 1986 Federal Co-operative Housing Program (FCHP)

At the same time, the federal government also announced the introduction of a revised co-operative housing program which was being developed in conjunction with the Co-operative Housing Foundation. Unilateral federal funding and delivery of the new program was retained. The new Federal Co-operative Housing Program was formally introduced in 1986 as a five-year experimental program with the following stated objective:

- to provide assistance for co-operative housing to promote security of tenure for households unable to access homeownership.

This change in objectives was also reflected in the transfer of the Co-operative Housing Program from the Social Housing Planning Element to the Market Housing Planning Element. Federal housing policy objectives in the area of market housing were to assist in developing a climate of stability for the private market so that it can function effectively and to promote security of tenure through homeownership and co-operative housing.

A central feature of the new program was its use of an innovative mortgage instrument called an Index-Linked Mortgage (ILM). The ILM is a loan in which the interest rate is stated in terms of a fixed real rate of return which is combined with a variable rate which is adjusted periodically in accordance with actual changes in inflation. This ILM mortgage was to be obtained in the private mortgage market first through the CHF and then through CMHC's Program Funding Centre which was started up in June 1987. The ILM mortgage was insured under the National Housing Act for 100 per cent of the project's capital costs. Responsibility for the procurement of ILM financing was transferred back to the CHF in 1988.

Under the design of the ILM mortgage instrument, monthly payments of principal and interest rise over time with inflation less 2 per cent. Therefore, the initial payment can be less than under an EPM. This feature, arrived at in consultation with the CHF, was intended to reduce initial financing costs of co-operative housing projects, thereby reducing initial subsidy requirements. However, the availability of unilateral federal assistance is retained under the new program to bridge the gap between economic and market rents for those projects which require it. Federal assistance took the form of an annual bridging subsidy to be reduced beginning in the sixteenth year.

The 1986 Federal Co-operative Housing Program provided for the establishment of a Stabilisation Fund to financially assist co-operatives experiencing viability problems which are at risk of mortgage loan default. This provision, which involves an initial one-time payment to the fund by each co-operative, was established as a result of CMHC concerns about graduated payment mortgage schemes which have in the past experienced high default rates (eg, ARP and AHOP).

Other features of the 1986 Federal Co-operative Housing Program remained similar to past programs. A minimum 15 per cent of units in each co-operative must be provided to low-income households under the Rent Supplement Program and a maximum 30 per cent of the units in each province could be made available for Rent Supplement. In June 1988, this maximum was increased to 50 per cent of co-operative units in a project and was approved in all provinces but British Columbia, Québec and Saskatchewan.

As a new feature of co-operative housing, the Federal Co-operative Housing Program requires that each co-operative establish a Security of Tenure Fund to temporarily assist non-income-tested occupants who experience a decline in income. In addition, Proposal Development Funding (previously known as "Start-Up") is still available in the form of an interest-free loan of up to $75,000 per project. An increased maximum of $500,000 was approved in 1989.

III CHARACTERISTICS OF THE STOCK OF CO-OPERATIVE HOUSING

This chapter provides an overview of the characteristics of the co-operative housing stock.

A. Program Activity

Since the inception of the first federal co-operative housing program, 1,669 projects and 56,745 units have been developed and are being administered under three separate programs (ie. Sections 61 and 95 and the FCHP). Approximately 70 per cent of both co-operative projects (1,124) and units (39,577) were put in place under the pre-1986 Section 95 program. The 1986 Federal Co-operative Housing Program is still active, and accounts for just over 18 per cent of units (10,255) and 19 per cent of projects (322). Table 3.1 summarises co-operative housing projects and units completed under the Section 61, Section 95 and FCHP Programs.

TABLE 3.1
CO-OPERATIVE HOUSING PORTFOLIO
BY PROGRAM

	PROJECTS		UNITS	
PROGRAM	**NUMBER**	**%**	**NUMBER**	**%**
Section 61 (34.18)	223	13.4	6,913	12.2
Section 95 (56.1)	1,124	67.3	39,577	69.7
Federal Co-operative Housing Program (FCHP)	322	19.3	10,255	18.1
TOTAL	1,669	100.0	56,745	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.

NOTE: This table is based on completed projects and units. It does not reflect current delivery activity under the FCHP. Using commitment data would produce the following results:

FCHP	371	21.9	11,794	20.1
TOTAL	1,718		58,284	

B. Project Completion Date

Table 3.2 shows the production of projects and units by project completion date.

The most active period for the development of co-operative housing occurred between 1980 and 1990 when over 87 per cent of both projects (1,445) and units (49,790) in the co-operative housing portfolio were produced. Overall, this would indicate that the co-operative housing stock is quite young, although it should be remembered that many co-operative projects are acquired and then renovated (see Section D).

The FCHP is responsible for less than half of the production of projects and units developed since 1985; the balance were commitments made under the Section 95 Program and completed following the initiation of the 1986 Federal Co-operative Housing Program.

TABLE 3.2
CO-OPERATIVE HOUSING PORTFOLIO
BY PROGRAM AND PROJECT COMPLETION DATE

PROJECT COMPLETION DATE	PROJECTS NUMBER	PROJECTS %	UNITS NUMBER	UNITS %
SECTION 61				
1970 - 1974	2	0.9	78	1.1
1975 - 1979	197	88.3	5,981	86.5
1980 - 1984	24	10.8	854	12.4
1985 - 1989	-	-	-	-
TOTAL	223	100.0	6,913	100.0
SECTION 95				
1970 - 1974	7	0.6	306	0.8
1975 - 1979	18	1.6	670	1.7
1980 - 1984	731	65.0	26,334	66.5
1985 - 1989	368	32.7	12,267	31.0
TOTAL	1,124	100.0	39,577	100.0
FCHP				
1985 - 1990	322	100.0	10,255	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.

C. Project Type

Table 3.3 describes the types of projects developed for each program in the co-operative housing portfolio.

Low-rise and apartment buildings are the most common project types. In Section 61 projects, apartments were the most common building form comprising 36 per cent of all units, but under the Section 95 program low-rise row housing was most common. The trend has shifted back to apartment construction under the FCHP with apartments accounting for nearly 48 per cent of all units.

Projects with more than one building type (mixed) represented one-quarter of all units in the original Section 61 Program;

however, this type of project has become less common such that just under 14 per cent of FCHP co-operative units and under 9 per cent of FCHP co-operative projects are of a mixed building type.

TABLE 3.3
CO-OPERATIVE HOUSING PORTFOLIO
BY PROGRAM AND PROJECT TYPE

	PROJECTS		UNITS	
PROJECT TYPE[1]	NUMBER	%	NUMBER	%
SECTION 61				
Single	29	13.0	401	5.8
Low rise	66	29.6	2,145	31.0
Apartment	93	41.7	2,517	36.4
Other	4	1.8	73	1.0
Mixed	31	13.9	1,777	25.7
TOTAL	223	100.0	6,913	100.0
SECTION 95				
Single	92	8.3	1,501	3.8
Low rise	370	32.9	15,860	40.0
Apartment	424	37.7	12,891	32.6
Other	20	1.8	423	1.1
Mixed	218	19.3	8,902	22.5
TOTAL	1,124	100.0	39,577	100.0
FCHP				
Single	13	4.0	266	2.6
Low rise	26	26.7	3,636	35.5
Apartment	194	60.2	4,912	47.9
Other	1	0.3	40	0.4
Mixed	28	8.7	1,401	13.7
TOTAL	322	100.0	10,255	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.
NOTE: [1] Definition of project type:
- Single: single, duplex, semi-detached
- Low rise: row, triplex, stacked
- Apartment: apartment
- Other: other, mobile home, hostel, non-residential
- Mixed: every possibility between each project type eg. Single/Low rise=Mixed

D. Development Method

Co-operatives may be developed through new construction, through acquisition and renovation, or through a combination of both methods. Table 3.4 shows the distribution of the stock by method of development.

TABLE 3.4
DEVELOPMENT METHODS OF HOUSING CO-OPERATIVES

DEVELOPMENT METHOD	CO-OPERATIVES[1] NUMBER	CO-OPERATIVES[1] PER CENT	UNITS NUMBER	UNITS PER CENT
SECTION 61				
New construction	49	32.2	3,781	50.7
Acquisition	42	27.6	1,890	25.3
Mixed	58	38.2	1,793	24.0
Total	152	100.0	7,464	100.0
SECTION 95				
New construction	555	51.7	26,104	65.6
Acquisition	193	18.0	5,150	12.9
Mixed	326	30.3	8,531	21.4
Total	1,074	100.0	39,785	100.0
FCHP				
New construction	126	63.6	5,386	75.6
Acquisition	22	11.1	533	7.5
Mixed	50	25.3	1,209	17.0
Total	198	100.0	7,128	100.0

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Number of co-operatives is smaller than the number of projects because a single co-operative may have received more than one loan.

The proportion of units developed through new construction only has risen from just over half under the Section 61 program to over 75 per cent for the FCHP. This may indicate that new construction is simpler to develop and manage than rehabilitation projects and is therefore preferred by resource groups and/or clients.

E. Project Size

Table 3.5 establishes the size of co-operative housing projects and provides the number of co-operative projects and units for each program by project size intervals.

The tendency of co-operative housing projects to higher density building forms might lead to the conclusion that co-operative housing projects are quite large. An examination of the average number of units per project shows that project size on average, is quite small at just over 30 units per project and that this average has not changed significantly with the introduction of new programs. Similarly, Table 3.5 shows, regardless of program, that over 94 per cent of co-operative housing projects contain less than 100 units.

It is interesting to note that the Section 61 Program had a higher representation of both very low density (singles) and very high density projects contributing to its average project size. Specifically, over 30 per cent of Section 61 units were found in projects containing 100 units or more. Both the Section 95 and FCHP Programs have tended towards smaller projects, with only 22.2 per cent of Section 95 and 7.3 per cent of FCHP units found in projects with 100 units or more. As further evidence of a trend toward medium project size, the proportion of units found in projects with 10 to 49 units has increased from 25.7 per cent for the Section 61 Program, to 42.2 per cent under the Section 95 Program, to 55.3 per cent for the FCHP Program.

TABLE 3.5
CO-OPERATIVE HOUSING PORTFOLIO
BY PROGRAM AND PROJECT SIZE

		PROJECTS		UNITS	
PROJECT SIZE	AVERAGE NUMBER OF UNITS/ PROJECT	NUMBER	%	NUMBER	%
SECTION 61					
Less than 10		106*	47.5	468	6.8
10 - 29		41	18.4	771	11.2
30 - 49		27	12.1	1,003	14.5
50 - 99		36	16.1	2,573	37.2
100 - 199		11	4.9	1,623	23.5
200 or more		2	0.9	475	6.9
TOTAL	31	223	100.0	6,913	100.0
SECTION 95					
Less than 10		180	16.0	1,136	2.9
10 - 29		482	42.9	8,711	22.0
30 - 49		212	18.9	7,981	20.2
50 - 99		188	16.7	12,966	32.8
100 - 199		57	5.1	7,480	18.9
200 or more		5	0.4	1,303	3.3
TOTAL	35	1,124	100.0	39,577	100.0
FCHP					
Less than 10		30	9.0	245	2.4
10 - 29		157	48.8	2,952	28.8
30 - 49		73	22.7	2,717	26.5
50 - 99		57	17.7	3,586	35.0
100 - 199		4	1.3	528	5.1
200 or more		1	0.3	227	2.2
TOTAL	32	322	100.0	10,255	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.
NOTE: * Includes 3 hostel projects.

F. Client Type

With respect to clientele, all three co-operative housing programs are oriented towards families (Table 3.6). Under all three programs, families represent at least 88 per cent of the stock of co-operative housing projects and units. The proportion of seniors units, at approximately 5 per cent for the Section 61 and 95 Programs, has doubled under the FCHP to just over 10 per cent of projects and units.

TABLE 3.6
CO-OPERATIVE HOUSING PORTFOLIO BY
CLIENT TYPE (1990)

	PROJECTS		UNITS	
CLIENT TYPE	**NUMBER**	**%**	**NUMBER**	**%**
SECTION 61				
Family	218	97.8	6,579	95.2
Seniors	5	2.2	334	4.8
Special purpose	0	0.0	0	0.0
TOTAL	223	100.0	6,913	100.0
SECTION 95				
Family	1,057	94.0	37,548	94.9
Seniors	63	5.6	1,796	4.5
Special purpose	4	0.4	233	0.6
TOTAL	1,124	100.0	39,577	100.0
FCHP				
Family	285	88.5	9,154	89.3
Seniors	37	11.5	1,101	10.7
Special purpose	0	0.0	0	0.0
TOTAL	322	100.0	10,255	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.

G. Provincial Distribution

Table 3.7 reviews the co-operative housing portfolio by province. The largest portfolios are found in Québec, Ontario and British Columbia. Combined, they account for 84 per cent of all co-operative projects and units. Table 3.8 provides a provincial comparison of information provided earlier in the chapter.

TABLE 3.7
CO-OPERATIVE HOUSING PORTFOLIO BY PROGRAM AND PROVINCE/TERRITORY

PROVINCE/ TERRITORY	PROJECTS NUMBER	PROJECTS %	UNITS NUMBER	UNITS %
SECTION 61				
Nova Scotia	17	7.6	133	1.9
Québec	128	57.6	2,001	29.0
Ontario	52	23.2	3,482	50.3
Saskatchewan	2	0.9	139	2.0
Alberta	8	3.6	270	3.9
British Columbia	16	7.1	888	12.8
CANADA	223	100.0	6,913	100.0
SECTION 95				
Newfoundland	22	2.0	359	0.9
Prince Edward Island	6	0.5	62	0.2
Nova Scotia	71	6.3	1,299	3.3
New Brunswick	12	1.1	550	1.4
Québec	579	51.4	11,390	28.7
Ontario	197	17.5	12,793	32.3
Manitoba	14	1.2	1,332	3.4
Saskatchewan	14	1.2	575	1.4
Alberta	34	3.0	1,766	4.5
British Columbia	172	15.3	9,351	23.6
Northwest Territories	3	0.3	100	0.2
CANADA	1,124	100.0	39,577	100.0
FCHP[1]				
Newfoundland	2	0.6	45	0.4
Prince Edward Island	3	0.9	81	0.8
Nova Scotia	16	5.0	504	4.9
New Brunswick	7	2.2	173	1.7
Québec	177	55.0	3,414	33.3
Ontario	43	13.3	2,707	26.4
Manitoba	11	3.4	527	5.1
Saskatchewan	5	1.5	213	2.0
Alberta	12	3.7	394	3.8
British Columbia	45	14.0	2,147	20.9
Northwest Territories	1	0.3	50	0.5
CANADA	322	100.0	10,255	100.0
ALL PROGRAMS				
Newfoundland	24	1.4	404	0.7
Prince Edward Island	9	0.5	143	0.3
Nova Scotia	104	6.2	1,936	3.4
New Brunswick	19	1.1	723	1.3
Québec	884	53.0	16,805	29.6
Ontario	292	17.5	18,982	33.5
Manitoba	25	1.5	1,859	3.3
Saskatchewan	21	1.3	927	1.6
Alberta	54	3.2	2,430	4.3
British Columbia	233	14.0	12,386	21.8
Northwest Territories	4	0.2	150	0.3
CANADA	1,669	100.0	56,745	100.0

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.

NOTE: [1] Two FCHP projects have been committed in the Yukon but are not yet under administration.

TABLE 3.8
CO-OPERATIVE HOUSING UNITS BY PROVINCE AND TERRITORY AND BY SELECTED CHARACTERISTICS (1990)

PROVINCE/ TERRITORY	LOW RISE & APART. %	PROJECT SIZE < 50 UNITS %	FAMILY PROJECT %
SECTION 61			
Nova Scotia	16.5	57.1	100.0
Québec	95.4	58.8	93.5
Ontario	57.1	15.5	97.2
Saskatchewan	100.0	34.5	34.5
Alberta	78.2	53.7	100.0
British Columbia	44.4	28.9	98.1
CANADA	67.4	32.4	95.2
SECTION 95			
Newfoundland	6.7	100.0	100.0
Prince Edward Island	27.4	100.0	100.0
Nova Scotia	31.2	85.0	100.0
New Brunswick	15.3	55.1	100.0
Québec	75.7	88.5	91.5
Ontario	77.9	16.3	97.3
Manitoba	40.0	5.9	97.4
Saskatchewan	63.3	69.2	69.9
Alberta	84.6	35.1	100.0
British Columbia	77.0	28.8	94.6
Northwest Territories	50.0	50.0	100.0
CANADA	72.6	45.0	94.9
FCHP			
Newfoundland	100.0	100.0	100.0
Prince Edward Island	35.8	100.0	64.2
Nova Scotia	43.4	51.0	95.2
New Brunswick	23.1	100.0	100.0
Québec	94.3	96.6	90.2
Ontario	83.2	18.1	100.0
Manitoba	93.3	33.4	27.3
Saskatchewan	100.0	5.6	0.0
Alberta	96.6	65.4	100.0
British Columbia	77.3	49.1	100.0
Northwest Territories	0.0	0.0	100.0
CANADA	83.4	56.9	90.2

SOURCE: Project characteristics data base, AGRSHAG, CMHC, (August) 1990.

IV RATIONALE FOR FEDERAL CO-OPERATIVE HOUSING PROGRAMS

A. Introduction

This Chapter outlines two basic types of rationales for co-operative housing programs: the explicit program rationale for the 1986 Federal Co-operative Housing Program (FCHP); and implicit rationales following from program design including rationales related to the individual and community benefits of the program. Since the Federal Co-operative Housing Program includes a Rent Supplement component, the Evaluation must also consider the rationale for using co-operative housing for delivery of rent supplements and social housing[1].

The validity of particular rationales can be assessed on a normative basis and by examining actual experience with co-operative housing. Subsequent chapters present evidence compiled for this Evaluation, and conclusions are presented in Chapter XIV.

B. Program Rationales for the 1986 FCHP

As noted in Chapter II, the stated program rationale for the 1986 FCHP is to provide assistance for co-operative housing to promote security of tenure for households unable to access homeownership. Since 1986, the FCHP has been related to federal initiatives which assist in developing a climate of stability for the private market so that it can function effectively and to promote security of tenure. The intended target group for the FCHP is moderate-income households who, while not in core housing need[2], may nevertheless have housing problems because they are unable to obtain security of tenure in private rental housing and cannot access homeownership. Therefore, the FCHP seeks to address these problems faced by households with incomes above the Core Need Income Thresholds and below the income levels required to afford the costs of homeownership in housing markets across Canada.

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[1] This Evaluation does not consider the rationale for the Rent Supplement Program per se. This Program will be the subject of a subsequent evaluation. Its rationale is derived from the social housing policy rationale as previously documented in other studies.

[2] Households are defined as being in core need (and eligible for federal housing assistance) if they are unable to afford an adequate, suitable unit at the typical market rents for these dwellings in the local area. The continuing need for targeted housing assistance has been documented in other evaluations.

The Evaluation considers the extent to which moderate-income households are unable to afford homeownership and facing security of tenure problems in the private market, and secondly, how co-operative housing is able to meet the needs of these households.

Homeownership Affordability

Although the overall homeownership rate in Canada has remained fairly constant at around 62 per cent over the last two decades, ownership affordability remains a challenge for some moderate-income households. In particular, rapidly rising house prices in demand-driven markets may restrict the entry of first-time buyers into the ownership market, and high interest rates lead to high carrying costs. However homeownership affordability is quantified[1], there is evidently some group of Canadian households who are financially unable to purchase a home.

As well as barriers to ownership related to high interest rates and high house prices, some structural barriers may reduce ownership accessibility. For example, local building codes and by-laws affect the forms and density of housing which can be produced. As well, the construction industry may be reluctant to produce lower-priced dwellings because of lower profit margins or higher risks, while land costs may be increased by municipal levies and high servicing costs for residential lots. Transaction costs such as legal fees, real estate fees, survey costs and so on increase the costs of purchasing and add to the price of properties. Capital financing constraints may also impede access for new borrowers because of maximum loan/value ratios which determine down payment requirements, and because of gross debt service ratios which determine eligibility for mortgages in relation to borrowers' incomes. The high cost of ownership is also related to the so-called "tilt effect" whereby initial financing costs for mortgages are high but would decline in real terms over time assuming interest rate stability. Under conditions of increasing real interest rates and reduced mortgage terms, mortgage renewals may erode any potential improvement in mortgage affordability over the life of mortgages. At the same time, real increases in property tax assessments, home heating and utility expenses contribute to increasing real shelter costs for homeownership.

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[1] Measures of homeownership affordability have to take account of income levels, house prices and the types of homes suitable for first-time buyers. CMHC has recently developed an indicator of homeownership affordability. The indicator was developed following consultation with various groups involved in housing. See "Canadian Housing Markets", September 1990, CMHC.

In the past, housing policies and programs have included an array of measures to address homeownership affordability. The primary beneficiaries of these measures have been moderate-income households, although some programs have reached those in the lowest two-fifths of the income profile.

Measures to facilitate homeownership date back to the 1930's. Federal measures have included mortgage insurance and direct lending since 1954, assisted homeownership provisions from the early 1970's to 1979, rehabilitation assistance (RRAP) since 1973, the Registered Homeownership Savings Plan from 1974 to 1984, the Mortgage Rate Protection Program in 1984, the Canadian Homeownership Stimulation Plan (1982), the Canada Home Renovation Plan (1982) and Mortgage-Backed Securities in 1986.

Provincial governments have tended to promote homeownership as a preferred tenure, and by the late 1970's homeownership assistance was a major thrust of provincial housing policies in provinces such as British Columbia, Nova Scotia, Newfoundland, and Saskatchewan. Most provincial and territorial housing programs have provided assistance at the beginning of a mortgage (to lessen the initial burden of entering the ownership market) through direct grants and subsidies for first-time homebuyers and direct mortgage lending at preferred rates. Provincial policies have also included repair assistance programs to allow homeowners to upgrade existing houses. Some provinces entered into federal-provincial agreements to stack provincial subsidies or supplements with the federal AHOP assistance (thereby reducing the income level required to participate and bringing homeownership within reach of lower-income households). Provincial property tax rebates (especially benefiting the elderly and lower-income households) are provided through the income tax mechanism. Provincial homeownership programs are notable for the popularity of grants, and for housing assistance in small urban centres and rural areas where lenders had tended to be reluctant to finance houses.

Current provincial programs (Table 4.1) include direct grants and subsidies for assistance toward down payments, direct mortgage lending, homeownership savings plans (in Ontario and Nova Scotia), mortgage rate protection plans (in Alberta and Saskatchewan), and property tax rebates. Down payment assistance programs are generally targeted to first-time purchasers (British Columbia, Québec), to those who have not owned a home within the past five years (Alberta), or to those who do not own adequate housing (Nova Scotia and New Brunswick). Except in Alberta, these programs have maximum eligible house price limits, and the Nova Scotia and New Brunswick programs also include maximum eligible income limits ($50,000 in Nova Scotia and $30,000 in New Brunswick).

TABLE 4.1
CURRENT PROVINCIAL PROGRAMS FOR HOMEOWNERSHIP ASSISTANCE

PROVINCIAL DOWN PAYMENT ASSISTANCE PROGRAMS		
Québec	Programme d'aide à la mise de fond	1988
B.C.	Home Mortgage Assistance Program	1989
Alberta	Family First Home Program	1989
Nova Scotia	2nd Mortgage Housing Program	1986
	Family Modest Housing Program	1988
New Brunswick	Down Payment Assistance Program	1989
MORTGAGE INTEREST AND SUBSIDY PROGRAMS		
Saskatchewan	Mortgage Protection Plan	1982
Alberta	Mortgage Interest Shielding Program	1989
P.E.I.	Property Tax Deferral Program for Senior Citizens	1986
New Brunswick	Home Completion Loan Program	1989
HOMEOWNERSHIP SAVINGS PLANS		
Ontario	Ontario HOSP	1988
Nova Scotia	Nova Scotia HOSP	1990
HOMEOWNERSHIP ASSISTANCE IN RURAL & REMOTE AREAS		
Alberta	Rural Home Assistance Program	1977
P.E.I.	2nd Mortgage Loan Program	1987
	Rural Mortgage Lending Support Program	1986
Yukon	Extended Mortgage Guarantee Program	1988
	Do It Yourself Program	1988

The federal NHA insurance and, in the past, direct lending provisions as well as provincial direct lending (especially for second mortgages or reduced interest loans for down payments) have assisted many Canadians to acquire mortgage funding and facilitated homeownership often without direct government subsidy. Direct government homeownership assistance under the federal AHOP (from the early seventies to 1979 when the program was terminated), assisted over 160,000 households to become homeowners. According to data in the Canadian Housing Statistics (1979), four-fifths of the families who participated in AHOP had incomes below the average Canadian family income and about 60 per cent had incomes within the lower third income group.

While AHOP succeeded in reaching a low- to moderate-income clientele, some difficulties were experienced with mortgage defaults as homeowners reached the fifth and subsequent years (when assistance was withdrawn) because their incomes had not increased sufficiently to absorb the higher housing payments.

Therefore, while the program provided an opportunity for moderate- and lower-income families to acquire a home, the longer-term benefits of homeownership proved elusive for some of the families who were assisted through the program.

The above overview shows that governments at both the federal and provincial levels have recognised the attributes of homeownership and have attempted to improve the accessibility and affordability of homeownership for moderate-income households who might otherwise have been unable to enter the homeownership market.

Economic and social rationales underlie policies and programs to promote homeownership. Homeownership assistance measures have played a part in economic stimulation efforts to address cyclical trends in investment, to stabilise residential construction and to contribute to job creation objectives. These measures contribute to general goals in support of stable and smoothly operating housing markets. Homeownership measures may also offer the potential for lower subsidy costs than subsidised rental and co-operative measures because homeowners are directly responsible for operating and maintenance expenses and on-going public sector housing management is not required. Support for homeownership may also be related to expected societal benefits from fostering independence and consumer responsibility, increasing household stability and attachment to the local community by giving people a "stake" in their neighbourhoods.

Direct federal government support for homeownership has declined in recent years (through discontinuation of a number of measures including RHOSP, CHOSP, CHRP and AHOP). The 1985 policy directions adopted by Cabinet do, however, direct CMHC to assist in developing a climate of stability for the private market so that it can function effectively and to promote security of tenure through homeownership and co-operative housing.

Security of Tenure

Security of tenure is difficult to define because it may be considered from numerous perspectives and at several levels. A precise definition of security of tenure, for example, does not exist in program guidelines for the Federal Co-operative Housing Program. One definition suggests that a security of tenure problem may exist if households are obliged to move by factors outside their control, if there is not adequate compensation for the move, and if the individuals are worse-off after the move than before (that is the costs of moving exceed the benefits)[1].

Broadly defined, security of tenure problems may arise for a range of non-economic and economic reasons. While statutory evictions may be quite rare, tenants may be asked to leave their dwellings by landlords under the terms of provincial landlord and tenant legislation when the landlord requires the unit for his/her own use. A background paper[1] suggests that "uncontested evictions" are more common, that is, tenants move when asked to leave even though a landlord would not have had sufficient evidence to obtain a court-ordered eviction. As tenants have become better-informed of their rights, illegal evictions (such as through use of discriminatory rents) have become less common.

Probably more common than these types of evictions are the security of tenure problems associated with property redevelopment decisions by landlords. Tenants are always at risk of property being demolished, converted or renovated without their consent, and tenants in older, inner city areas are most likely to face redevelopment and dislocation. Some experts feel that rent regulation has had the effect of increasing incentives for landlords to convert buildings thereby increasing the risk of security of tenure problems[1]. In some jurisdictions, municipal by-laws or provincial statutes (such as the Ontario Rental Housing Protection Act) have been enacted to prohibit or control demolition, conversion or renovation of rental properties thereby reducing this security of tenure risk for tenants.

Besides these non-economic reasons, tenants may also face economic threats to their security because of rising housing costs or loss of income, each of which reduce the affordability of their housing. Risk of these problems is probably greatest for households close to their affordability margin. Renters are susceptible to rent increases by landlords seeking to capture property value increases due to locational demand. While rent regulation measures may have controlled this type of rent increase, they may have increased incentives for landlords to sell properties resulting in higher financing charges which are passed on to tenants in higher rents. Although the precise effects of rent regulation are difficult to determine, some experts feel that these measures have neither increased or decreased security of tenure for tenants.

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[1] See "Security of Tenure Issues Pertaining to Co-operative Housing", Background Paper prepared for the Program Evaluation Division, CMHC, by John D. Todd, 1990.

All households (whether tenants or owners) face the risk of affordability problems from income reductions particularly when income loss is sudden and/or long-term such as due to lay-offs, illness, unemployment or loss of earners or earnings. Tenants faced with lower incomes have several strategies to meet their housing costs including moving to a more affordable unit, adding other income-earners to the household (that is sharing or doubling-up), using up savings or assets, or reducing spending on other items. The income security system provides a safety net of income protection, and, if income falls below the core need income threshold, the households would be eligible for federal housing assistance.

How Co-operative Housing May Address Security of Tenure and Homeownership Affordability

Co-operative housing may provide an alternative to rental housing for those households unable to afford homeownership because it embodies some of the advantages of homeownership such as resident control over housing which are not associated with rental housing. All members of housing co-operatives are able to participate in decisions about their housing, its operation, maintenance and management since they collectively own their housing co-operative.

In addition, co-operative housing may provide greater security of tenure than private rental housing for three reasons. First, co-operative housing provides greater security against eviction for any reason because co-operative members are part-owners and cannot be asked for vacant possession by a landlord. In most jurisdictions, co-operative members may be expelled for breaching the conditions of members' agreements (such as non-participation in co-operative activities and duties). Expulsion from a co-operative requires documentation comparable to that involved in a wrongful dismissal suit (that is, people have to be warned of the problem and given reasonable opportunities to change), a more complex procedure than eviction from rental properties.

Secondly, co-operative members collectively control decisions about their housing and cannot be forced to move because of demolition, conversion or renovation. As well, the CMHC/Co-operative Operating Agreement in force for the life of the mortgage (that is, for at least 35 years) preclude sale or conversion of the co-operative. These controls may provide security of tenure for co-operative members comparable to individual homeownership with respect to loss of the dwelling for non-economic reasons.

Thirdly, co-operative housing provides protection against loss of a dwelling for economic reasons because there is less risk of housing costs increasing rapidly and there is some protection in the event of declining incomes. The charges for co-operative units are not likely to escalate rapidly because of incentives for members to control operating costs (for example, members can undertake their own repairs and maintenance or postpone maintenance expenses). Co-operatives, given their non-profit nature, do not allow for increased capital values to be reflected in housing charges so that, over time, charges should not escalate rapidly, and sale and refinancing is controlled by the CMHC Operating Agreement. The risks of sudden increases in housing charges due to major capital expenses are minimised by the requirements to maintain replacement reserves (provided that such reserves include adequate dollar amounts). Since 1986, a Stabilisation Fund has been established to assist FCHP co-operatives in financial difficulty which further reduces the risks of defaults and protects security of tenure. Defaults, however, could occur and security of tenure could be threatened in these instances. In addition, security of tenure may be threatened with the termination of the operating agreement after 35 years when the co-operative could be converted or sold.

At the individual level, co-operative members have a measure of protection in the event of loss of income by virtue of the Subsidy Surplus Fund (Section 95) and the Security of Tenure Fund (FCHP) to provide temporary assistance. In the event of large declines in incomes, co-operative members may be eligible for Rent Supplements in co-operatives on a geared-to-income scale if a subsidised unit is available. Private sector tenants requiring assistance would generally have to move to receive housing assistance, if available elsewhere, although tenants already in assisted housing could receive increased assistance if their incomes decline.

Therefore, provided that co-operative members undertake their responsibilities in co-operative housing, it can be hypothesised that households are likely to have more security of tenure in co-operative housing than in private rental housing because of the financial safeguards and protection from conversion/ demolition. Many of the financial protections are a result of the financial assistance to and regulation of housing co-operatives or related to their non-profit status. The evaluation provides empirical evidence on security of tenure in co-operative housing.

C. Rationales Associated with Co-operative Housing

As well as explicit program rationales for the Federal Co-operative Housing Program, other rationales may be associated with co-operative housing programs generally including the provision of co-operative housing as a tenure option, providing potential innovations in housing such as self-help management and financing mechanisms, and individual and community benefits.

Co-operative Housing as a Tenure Option

Co-operative housing provides a tenure alternative, different from both rental and homeownership tenures. Co-operative housing, supported under the NHA, has a non-profit status and therefore is not subject to taxation, as are landlords and homeowners. Where co-operative members pay below market rents, dividends in the form of lower rents, can be passed on to members tax-free. Conversely, homeowners, landlords and tenants (if landlord benefits are passed on through in the form of reduced rents) can benefit from various tax measures. Co-operatives which opt for non-profit status cannot claim these benefits. It has been argued that government should provide assistance directly to non-profit co-operatives to permit them to compete with these other tenure forms or simply to ensure equitable treatment of all Canadians regardless of tenure.

As part of the evaluation, CMHC commissioned a study on the comparative tax positions of co-operative, private rental and homeownership housing[1]. The study provided a description of the various tax measures available to each tenure form and sample calculations of the tax deductions available for a typical unit over ten years. The study did not, however, examine the underlying rationale for each of the tax measures described.

Any conclusion on the existence of a rationale for equalising the comparative tax position of co-operative housing with that of private rental or homeownership housing would require an extensive review of Canadian tax policy and the rationales governing each tax measure. For example, the rationale for tax measures benefitting one tenure may not necessarily apply to other tenure forms. Such a review is considered beyond the scope of the evaluation.

Potential for Innovation

The flexibility and adaptability of the co-operative housing tenure option may provide a rationale based on innovative potential and willingness to assume the risks of innovation. The co-operative sector has traditionally served innovative roles in Canadian housing markets. Examples of past innovative approaches include self-help management, flexible income mixing and social integration, and community development approaches to housing delivery. The question arises as to whether co-operative related innovations are more generally applicable in the housing sector.

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[1] See "The Comparative Tax Position of Co-operative Housing With Other Forms of Housing Development", Background Paper prepared for the Program Evaluation Division, CMHC, by Peat Marwick Thorne, 1990.

Traditionally, non-profit, co-operative housing in Canada has emphasised the self-help approach to delivery and operation of housing. Members of co-operatives are required under membership agreements to participate in the management and activities of the co-operatives. Membership training is provided and the contributions of members' time and expertise has the potential to reduce operating costs as compared with housing projects managed without resident involvement. The self-help approach may contribute to reduced federal assistance requirements and improved program cost-effectiveness, as well as providing benefits to individual members in terms of skills development. Empirical evidence on these issues is provided in the evaluation.

Most recently, the co-operative housing sector worked closely with government in the consultative process between CMHC and the Co-operative Housing Foundation (CHF) to design the 1986 Federal Co-operative Housing Program. The CHF agreed to test an innovative financing mechanism, the Index-Linked Mortgage (ILM) on a five-year experimental basis from 1986 to 1990 in the FCHP. The Co-operative sector's commitment to the concept and its ability to support the introduction of ILM's through its organisation were favourable conditions for testing the ILM concept. At the same time it should be noted that the ILM mechanism could have been tested experimentally in other housing sectors. With the five-year experiment nearing completion, the experience gained in the FCHP may shed some light on the acceptability and performance of this financing mechanism.

The ILM was an innovative financing technique developed to encourage lenders to provide capital financing on an index-linked basis to result in lower subsidy costs per unit to the government than were associated with the previous co-operative housing program. Given the innovative nature of ILM's in the Canadian context, a number of specific provisions and additional fees were introduced to increase protection against mortgage default which may have offset some of the cost-savings expected to result from ILM financing.

The evaluation provides evidence on the extent to which innovative approaches have been developed in the co-operative sector which might benefit other housing sectors.

Individual and Community Benefits

Rationales for government support for co-operative housing may also be based on particular individual and community benefits associated with co-operative housing. This section focuses on types of benefits specific to co-operative tenure and in so doing suggests the distinctions between the co-operative sector and other forms of housing provided in the non-profit, public and private rental sectors.

Individual Benefits

Co-operative housing programs like non-profit and public rental programs have contributed to the stock of affordable, modest-cost housing on a non-profit basis without opportunities for individual profit from public sector investments. All of these programs have the potential to provide greater security of tenure than private rental housing. However, there may be additional benefits from co-operative tenure which create added social value in co-operatives. For example, housing co-operatives are thought to provide a sense of community and mutual support stemming from member involvement in the co-operative. The supportive environment in co-operatives may contribute to an improved quality of life for all residents and for special groups (such as single-parent families, new immigrants and the disabled) in particular.

It has been suggested that co-operative tenure provides a form of ownership that may produce a pride in housing, residents' commitment to maintain the property and a sense of belonging as well as control over decisions about the housing. These types of benefits are attributed to homeownership in general. Where co-operative housing differs is in the exercising of collective responsibilities, and the need to work together with other members in managing co-operative projects. The sharing of responsibility, work and decision-making about their housing not only provides opportunities for members to acquire new skills and experience in running an organisation and property management but also may contribute to the creation of supportive communities. Individual co-operative residents may acquire an improved sense of self-worth leading to fuller participation in other areas (such as undertaking training and education courses, labour force participation and so on) which are of benefit to the well-being of the individuals themselves and to society in general. All co-operative members, irrespective of income, have opportunities to participate in and share in the benefits of co-operative housing as well as assuming the responsibilities involved.

As a rationale for government support to co-operatives, the potential benefits to individual co-operative members may be translated into benefits to society at large in the form of more self-sufficient residential communities, reduced dependency on other government social and community services, and more stable environments for families and children. Living in co-operative housing may affect the socialisation of children as well as adults by promoting values such as responsibility for others, acceptance of different social and cultural groups, and so on. Co-operatives are thought to foster the approach of self-help and collective action, empowering people to meet more of their own needs (such as for child care, recreational activities, food banks, caring for ill or handicapped members and so on) without recourse to government programs. Co-operatives tend to house a range of social, cultural, age and income groups which fosters social integration and may reduce social barriers.

The evaluation provides evidence on the acquisition of individual benefits by co-operative households.

Community Benefits

It has been argued that co-operative housing has the potential to contribute positively in special ways to local communities. Development of co-operative housing projects may provide opportunities for local residents to be involved in project development and shaping the types of housing provided. The form of co-operative housing development as dispersed projects operated as autonomous organisations at the local level may allow for sensitivity to community situations, needs and conditions. Creation of affordable housing in areas with diminishing supplies of modest-cost housing may contribute to stabilising and/or revitalising neighbourhood character such as by adding to the supply of family housing in inner city areas (a role which co-operative housing has shared with non-profit rental housing programs). As well, co-operative housing residents, through their own volunteer time and efforts, may develop services for members which are available to other local residents, and act as a catalyst for improved social and community services in a neighbourhood.

Program rationales must also be viewed in the context of broad strategic directions for housing policy. In particular, federal objectives toward promotion of good living environments and the quality of life have included the goal of sustainable development. The concept of sustainable development includes not only economic and environmental dimensions but also a social dimension, requiring the creation and maintenance of community environments that support social equity, diversity, opportunity and quality of life. For example, CMHC has identified in its most recent Strategic Plan "the need ... to enable diverse social groups in communities to participate together in contributing to economic development and environmental improvement while bettering their own economic and social status". (Strategic Plan 1991, p. 6)

Co-operative housing appears well-suited for pursuit of some of the goals and objectives of sustainable development as outlined above. The principles of co-operativism embody the objectives of individual involvement and collective participation in the design, delivery and operation of goods and services such as housing. As well, the co-operative housing movement throughout its history in Canada has been strongly committed to the goals of equity whereby each member has an equal power to vote on issues affecting the co-operative, and whereby all members are treated equally. In addition, as discussed above, co-operative housing provides opportunities for individuals to enhance their personal skills and expertise through training and involvement in running co-operative organisation, and their members have opportunities to better themselves.

At the community level, the means of providing and operating housing co-operatives represents a unique form of social organisation for housing, distinct from the market and public sectors, and one which encourages people in local communities and neighbourhoods to become involved in meeting local housing needs. Co-operative housing has also played a part along with non-profit rental housing in fostering housing for families in redevelopment of older, inner city areas and revitalising changing neighbourhoods.

The evaluation provides evidence on the community impacts of co-operative housing.

Income-Mixing and Co-operative Housing

The co-operative housing sector has advocated the principle of making co-operative membership available to a broad cross-section of society and has supported the notion of income-mixed housing generally. Since the current co-operative program is the only non-targeted, direct subsidy program, it is the only vehicle aside from the Rent Supplement Program in private rental housing to provide for income-mixing (where income-mixing is defined as including both core need and non-core need households). The evaluation has to consider the rationale for income-mixing and assisting non-core need households.

From the early seventies until 1986, income-mixing was adopted as a housing policy objective. Targeted housing exemplified under the former public housing programs had been criticised for creating concentrations of lower-income households in segregated projects. Previous non-profit, co-operative and rent supplement programs have included the mix objective although income-mix was never precisely defined. The concept could be interpreted in an absolute sense (for example, inclusion of households with both low and moderate incomes) or in a relative sense (for example, mirroring the income distribution in society or in local communities). In the context of targeting, income-mix could imply inclusion of households below and above the Core Need Income Thresholds.

The benefits of income-mixing and the rationale for this approach relate to three broad arguments.

First, there is a general quality of life argument which suggests that the benefit of income-mixing results in an improved quality of life for lower-income households. Targeted programs may tend to produce segregated projects with concentrations of the lowest-income households and social and economic problems may occur. Lower-income neighbourhoods and projects may experience many social problems. Furthermore, targeted housing gives priority to households with greatest housing needs which tends to lead to high proportions of single-parent households and families receiving social assistance because they are the households with the highest incidence of core housing needs.

Income-mixed housing, on the other hand, may be more socially balanced, allowing for a greater mix of single-parent and two-parent households as well as a mix of employed households along with those receiving transfer incomes. The integration of different social groups and household types may provide positive role models such as male role models for children in female-headed households and incentives for other households to enter the labour force and better their economic and social well-being. Socially-balanced or diverse living environments may have socialisation benefits particularly for children and assist in counteracting inter-generational poverty.

Secondly, there is a community acceptance argument that income-mixed housing has the benefit of being more acceptable and in tune with local communities. Targeted programs may not be sensitive to a range of community needs and lead to local resistance to siting projects in particular neighbourhoods.

Many neighbourhoods and property owners have been resistant to having "low-income" housing located in their areas because of fears of social problems arising and possible impacts on property values. It is argued that mixed-housing is more acceptable to local neighbourhoods especially when it more closely mirrors the mix of groups in the area. When income-mixed housing is well-maintained and residents have pride in their housing, it is argued that the projects may have positive effects on the local neighbourhood and even contribute to stabilising or rejuvenating older residential areas. Income-mixed housing may provide community leadership and promote social harmony by reducing social and other tensions, encourage cultural diversity and foster social integration.

Thirdly, there is an argument based on the equality of opportunity for people from diverse backgrounds. It is argued that the benefits of mixed-housing may include enhancement of upward social mobility, improved educational standards for the disadvantaged and fostering fuller participation of all groups in economic, social and political life. Targeted programs provide assistance to those in greatest need, but provide no assistance to households falling outside the core need definition. Non-core need households may perceive themselves as facing housing problems and being excluded from any housing assistance. Mixed housing may achieve a sense of social fairness because a broader range of people may share in the benefits of improved housing conditions.

Co-operative housing may be particularly appropriate for achievement of the benefits of income-mixing because of its participatory nature. Social interaction of all co-operative members is encouraged by all income groups working together on an equal footing to manage their housing. In other forms of housing, households with different incomes may live together in a building without much social interaction as they share no common interests. Housing co-operatives engender collective interest and mutual support among their memberships. Lower-income co-operative members may have opportunities to learn skills in organisation and management from moderate-income members who often bring skills and experience to the co-operative. Income-mixing in co-operative housing may provide opportunities for lower-income households to put down roots in a community with a more permanent housing situation than in other sectors. As well, income-mixed co-operative housing may promote social equality objectives because all members have equal opportunities to participate in controlling decisions about their housing.

The three arguments of social integration, community acceptability and social equality underlie the rationale for income-mix approaches in any housing policy. Given the current federal targeting policy, the evaluation must consider whether there is a particular rationale for an income-mixed approach in co-operative housing. In effect, the question is whether assistance to non-core need households produces an added benefit to the housing of lower-income families in co-operative housing as compared with other forms of housing support and at what cost. To this end, the evaluation provides evidence on this issue.

Rent Supplement Program and Co-operative Housing

The 1986 Federal Co-operative Housing Program, a market housing program, provides for a portion of the dwellings in co-operative projects to accommodate lower-income, core need households on a rent-geared-to-income basis. A minimum of 15 per cent of the units in each co-operative housing project are required to be designated for rent supplement clients. The maximum proportion of units eligible for Rent Supplement subsidies was increased from 30 per cent to 50 per cent in 1988. As noted in Chapter II, this increase was approved in all provinces except British Columbia, Québec and Saskatchewan. The remaining dwellings are available for moderate-income households who could afford "market rent" level charges. Former co-operative programs have involved other approaches to facilitate access to co-operative housing for lower-income households such that a range of incomes could be served through the programs.

The 1986 Federal Co-operative Housing Program may be well-suited for delivery of the Rent Supplement Program provided that it cost-effectively meets the objectives of that Program to provide appropriate, adequate, suitable and affordable housing to eligible core need households. Delivery of rent supplementation via co-operative housing may have advantages over the longer term if housing co-operatives provide a stable, continuing supply of rent supplement units. The advantage to the public sector would be that new block leasing arrangements do not have to be sought as co-operative rent supplement units may be more secure than private rental rent supplement units. If individuals are able to remain in their co-operative dwellings, they may have greater security of tenure and residential stability.

An argument could be made that co-operative housing be considered as a special case (exempted from the targeting policy) for promoting income-mixed housing and delivery of the rent supplement program for lower-income households. The non-targeted portion of co-operative housing generally houses moderate-income households who contribute their skills and time to the management of the co-operatives. At the same time, it is argued that rent supplement households in co-operative housing have opportunities to benefit from an improved quality of life by participating in management of their own housing.

D. Summary

This chapter has outlined the range of explicit and implicit rationales that may exist for the Federal Co-operative Housing Program and for co-operative housing programs generally. The relative priorities of different rationales have varied over time according to government policy goals and objectives.

The stated program rationales underlying the FCHP are given detailed consideration in this evaluation. The range of rationales associated with co-operative housing generally are also addressed in subsequent chapters through the provision of empirical evidence collected specifically for this study.

V NEED AND MARKET FOR CO-OPERATIVE HOUSING

This chapter addresses questions about the need for co-operative housing among moderate-income households unable to afford homeownership, and the market for co-operative housing in general (including various market segments). Section A considers the need for co-operative housing assistance for moderate-income households. Section B examines factors affecting the market for co-operative housing. Section C considers the market segments served by co-operative housing.

A. Need for Co-operative Housing Assistance

The 1986 Federal Co-operative Housing Program (FCHP) is intended to promote security of tenure for households unable to access homeownership. As noted in Chapter IV, the intended target group for the FCHP is moderate-income households who, while not in core housing need, may nevertheless have housing problems because they are unable to obtain security of tenure in private rental housing and cannot access homeownership. The number of households unable to afford homeownership is discussed in the following section.

Affordability of Homeownership

The affordability of homeownership depends on house prices, interest rates, property taxes and home operating expenses, and the incomes of prospective homebuyers. Most of these factors are linked to the economic cycle. There have been three major economic cycles since 1970. Economic expansion in 1973 and 1974 forced interest rates up; during the 1979-1981 period, house price increases were followed by record levels of mortgage interest rates; and from 1985 to 1989 year-to-year price increases were sustained over a longer period of economic growth.

Several indicators have been used in the past to assess ownership affordability usually based on capital cost/income ratios or mortgage carrying costs/income (related to "average" house prices). Since not all regions in Canada experience the same degree of economic growth and increase in house prices, fluctuations in ownership affordability vary regionally and among housing markets. For example, the last price increase cycle in 1985 to 1989 had the greatest impact in Southern Ontario and the lower mainland area of British Columbia. Therefore, ownership affordability has to be considered on a regional market basis.

This section estimates the number of households unable to afford homeownership for major metropolitan centres, provinces and Canada based on 1989 Statistics Canada data for numbers of households, household size and composition. The 1986 Census incomes were adjusted to 1989 dollars. The standards for a suitable dwelling were derived from the National Occupancy Standards which relate the number of bedrooms required to household size and composition (the same standards applied in estimating core need). Average prices in 1989 for the typical dwellings of each size (one, two, three and four bedrooms) were examined from a variety of sources including NHA selected dwellings and median price data, Royal LePage, Century 21 Entry Level houses and MLS average prices. The estimates discussed below are based on median NHA house prices which represent a moderate price range in most markets. In all cases, the typical dwellings represented entry-level or starter homes in each market area. Dwelling types varied according to the stock of homeownership units available in the local market and condominium units were included in some markets (notably in Ontario). For example, the typical three-bedroom unit could be represented by a 3-bedroom bungalow in some markets or by a townhouse unit in other markets. The standard of housing used for a "modest" home affects the estimates of the affordability "problem", and adopting a lower standard (such as a mobile home for example) would reduce the estimated numbers of households with these "problems". The following assumptions were made with respect to dwelling financing: a down payment of 10 per cent of house price, mortgage interest rates of 10 per cent and 15 per cent (which provides a range of affordability indicators), amortisation period of 25 years, and a gross debt service ratio of 30 per cent of household income.[1]

Table 5.1 shows the proportions of all renter households above the Core Need Income Thresholds (CNIT's) unable to afford to purchase the appropriately-sized, NHA median-priced house in each metropolitan centre, at 10 and 15 per cent interest rates. Whereas about 31 per cent of Canadian renter households with incomes above CNIT's are unable to purchase a home at 10 per cent interest rates, 56 per cent of these households are unable to purchase a suitable dwelling at 15 per cent interest rates. Renter households with incomes below CNIT's would also be unable to afford to purchase a home, and about 44 per cent of Canadian renter households had incomes below CNIT's. In total, these estimates suggest that about 63 per cent of renter households could not afford to purchase a home at 1989 prices and incomes with 10 per cent interest rates, whereas 75 per cent could not purchase at 15 per cent interest rates. These estimates were based on NHA median house prices by number of bedrooms, which appeared from the analysis to represent the most typical price levels. Using NHA average house prices would yield higher estimates.

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[1] Detailed discussion of estimating procedures is included in "Background Paper on the Analysis of Homeownership Affordability", Program Evaluation Division, CMHC, May 1990.

The table emphasises the variability of homeownership affordability among metropolitan centres ranging from 27.6 per cent of renters above CNIT's unable to afford homeownership in Saskatoon to nearly 92 per cent unable to purchase a home in Kitchener-Waterloo (at 15 per cent mortgage interest rates). Above average incidences of renter households unable to afford homeownership were found in Hamilton, Kitchener, London, Niagara-St. Catharines, Oshawa, Ottawa, Toronto, Vancouver and Victoria whereas below average incidences were found in Winnipeg, Saskatoon, Regina, Québec City, Montreal, Halifax, Sudbury and Edmonton. These estimates suggest the need to reconsider the rationale for co-operative housing homeownership assistance in some markets with high incidences of homeownership affordability. If these markets also experience high vacancy rates in the rental sector, co-operative housing may have difficulty competing in the local market place (See Section B below).

TABLE 5.1
PERCENTAGES OF RENTER HOUSEHOLDS ABOVE CNIT'S UNABLE TO AFFORD HOMEOWNERSHIP IN 1989 IN MAJOR METROPOLITAN CENTRES

	% ABOVE CNIT'S UNABLE TO AFFORD AT	
METRO AREA	10% MIR	15% MIR
Calgary	29.3	52.6
Chicoutimi	30.4	53.4
Edmonton	20.7	46.9
Halifax	5.6	39.0
Hamilton	63.8	86.1
Kitchener-Waterloo	70.8	91.9
London	44.6	73.1
Montreal	18.5	46.6
Niagara-St. Catharines	32.7	58.6
Oshawa	70.2	90.0
Ottawa-Hull	32.9	57.7
Québec City	25.7	48.7
Regina	7.8	30.6
Saskatoon	3.5	27.6
Sudbury	22.4	43.6
Toronto	70.4	89.7
Vancouver	36.2	65.6
Victoria	32.2	62.1
Windsor	22.0	45.8
Winnipeg	0.0	30.9
Canada average	30.8	55.6

SOURCE: Program Evaluation Division estimates.

At 10 per cent interest rates, these estimates suggest that there are 574,820 renter households with incomes above CNIT's who are unable to afford homeownership. At 15 per cent interest rates the number increases to 1,037,624. Table 5.2 shows the distribution of these households by province. The incidence of those unable to afford homeownership varies substantially from a high of over 50 per cent in Ontario to zero per cent in Newfoundland (assuming 10 per cent interest rates). Low percentages of renter households are estimated to be unable to afford homeownership in Nova Scotia, New Brunswick, Manitoba and Saskatchewan as well as Newfoundland at the lower interest rate. Assuming 15 per cent interest rates increases the incidence significantly. More than half the renter households above CNIT's in Prince Edward Island, Ontario and British Columbia and more than a quarter in Nova Scotia, New Brunswick, Québec, Manitoba and Alberta would be unable to afford homeownership.

TABLE 5.2
DISTRIBUTION OF RENTER HOUSEHOLDS ABOVE CNIT'S
UNABLE TO AFFORD HOMEOWNERSHIP IN 1989
BY PROVINCE

	AT 10% INTEREST RATES			AT 15% INTEREST RATES		
PROVINCE	**NUMBER**	**INCIDENCE**	**%**	**NUMBER**	**INCIDENCE**	**%**
Newfoundland	0	0.0	0.0	945	6.1	0.1
P.E.I.	1,760	32.7	0.3	3,320	61.7	0.3
Nova Scotia	2,214	4.9	0.4	11,704	26.2	1.1
New Brunswick	2,208	8.2	0.4	9,844	36.5	1.0
Québec	124,692	21.5	21.7	277,014	47.9	26.7
Ontario	349,620	51.8	60.8	506,363	75.0	48.8
Manitoba	100	0.2	0.0	17,970	28.0	1.7
Saskatchewan	1,579	2.8	0.3	12,924	22.8	1.2
Alberta	39,113	19.9	6.8	89,264	45.4	8.6
B.C.	53,534	26.6	9.3	108,276	53.7	10.5
CANADA	574,820	30.8	100.0	1,037,624	55.6	100.0

SOURCE: Program Evaluation Division estimates.

As might be expected, the distribution of Canadian renters unable to afford homeownership follows the distribution of Canadian households and shows a marked concentration in Ontario and Québec, with lesser percentages in British Columbia and Alberta. Each of the other provinces accounts for less than one per cent of the total in Canada, at the 10 per cent interest rate. Even at a 15 per cent interest rate, nearly half of the renters unable to afford homeownership are in Ontario, 26.7 per cent in Québec, 10.5 per cent in British

Columbia and nearly 9 per cent in Alberta. Each of the other provinces accounts for less than two per cent of the total.

As proportions of all renter households (that is including both those below and above the CNIT's), about 40 per cent would be able to afford homeownership at 10 per cent interest rates and 25 per cent could afford to buy a home at 15 per cent interest rates. These estimates demonstrate that a significant number of renters are unable to afford homeownership and that many of them are concentrated in major metropolitan centres, particularly in Ontario, Québec and British Columbia.

The composition of those unable to afford homeownership is summarised in Table 5.3. Approximately three-quarters of all households unable to afford homeownership are families and one-quarter are non-family households. Renter households make up about 40 per cent of all households unable to afford homeownership while existing homeowners comprise about 60 per cent. These homeowners would be unable to purchase a modest house at current prices and 15 per cent interest rates. Longer-term owners are likely to be experiencing less financial pressure than recent purchasers who may have bought at higher prices and may face increasing mortgage payments at mortgage renewal. At 15 per cent interest rates, over 1.5 million or nearly 35 per cent of existing homeowners (above CNIT's) would be unable to afford homeownership at current prices, compared with about 1 million or 55.6 per cent of renters (above CNIT's). Homeowners are of course not faced with the problem of buying and as a group usually have equity in their homes. The point is that even this comparatively more affluent group would face affordability challenges if they had to re-enter the housing market without their home equity.

TABLE 5.3

INCIDENCE AND DISTRIBUTION OF HOMEOWNERSHIP AFFORDABILITY, CANADA, 1989 (ASSUMING 15% INTEREST RATES)

			ABOVE CNIT'S UNABLE TO AFFORD AT 15%		U.A. INCIDENCE	
	TOTAL NUMBER	NUMBER ABOVE CNIT'S	NUMBER	PER CENT	ABOVE CNIT'S	ALL HHS
All households	8,847,176	6,396,133	2,602,087	100.0	40.7	29.4
All family households	6,521,498	5,265,103	1,981,434	76.1	37.6	30.4
All renter households	3,326,502	1,865,274	1,037,624	39.9	55.6	31.2
All homeowner households	5,520,674	4,530,859	1,564,463	60.1	34.5	28.3

SOURCE: Program Evaluation Division estimates.

Security of Tenure

Moderate-income households unable to afford homeownership for the most part meet their housing requirements in the private rental sector. Some concerns have been raised about the security of tenure provided in rental housing. As discussed in the previous chapter, security of tenure problems may arise for a number of reasons.

The evaluation sought to quantify the extent of security of tenure problems by commissioning a special sample survey by Focus Canada in March 1990. Table 5.4 presents the survey results on the incidence of security of tenure problems for renters and homeowners. A household is considered to have experienced security of tenure problems if the household moved over the last 12 months because of increased costs, loss of income and being evicted. This measure most likely overestimates the magnitude of security of tenure problems as no distinction is made for households who were voluntarily overconsuming housing prior to moving or for households who are voluntarily underconsuming housing after their move. In addition, no distinction is made between illegitimate evictions and evictions caused by the inappropriate behaviour of the tenant.

Table 5.4 shows that close to 40 per cent of renters had moved in the previous year in comparison to just above 10 per cent of homeowners. Among those who had moved, 26 per cent of renters moved for reasons representing security of tenure problems in comparison to 16 per cent for homeowners. The data therefore suggest that, in a given year, close to 10 per cent of all renters experienced security of tenure problems in comparison to only about 2 per cent of homeowners. Given that all the same households are not likely to experience security of tenure problems each year, more than 10 per cent of renters could experience some security of tenure problems when a period longer than one year is considered.

TABLE 5.4
SECURITY OF TENURE PROBLEMS

	PERCENTAGE WHO HAVE MOVED IN LAST 12 MONTHS
TENURE	
Owners	12
Renters	38
All respondents	20

	PRINCIPAL REASONS FOR MOVING (%)					
	INCREASED COSTS (A)	LOSS OF INCOME (B)	BEING EVICTED (C)	OTHER REASONS	D/K OR REFUSAL	SECURITY OF TENURE PROBLEMS (A+B+C)
TENURE						
Owners	9	4	3	76	8	16
Renters	13	6	7	74	4	26
All respondents	11	6	5	75	6	22

	ANNUAL INCIDENCE OF SECURITY OF TENURE PROBLEMS AMONG ALL HOUSEHOLDS (%)
TENURE	
Owners	1.9
Renters	9.9
All respondents	4.4

SOURCE: Focus Canada Survey, 1990.

Table 5.5 presents the annual incidence of security of tenure problems by several household characteristics. The incidence of security of tenure problems decreases as the income and the age of the respondents increase. Although weaker, a similar relationship can be observed as the level of education increases. Geographically, the incidence of security of tenure problems is highest in the Prairies and Québec, and lowest in the Atlantic region and Ontario.

TABLE 5.5
SECURITY OF TENURE PROBLEMS BY HOUSEHOLD CHARACTERISTICS[1]

HOUSEHOLD CHARACTERISTICS	MOVED IN LAST 12 MONTHS (%)	MOVE DUE TO SECURITY OF TENURE PROBLEMS (%)	ANNUAL INCIDENCE OF SECURITY OF TENURE PROBLEMS (%)
ALL RESPONDENTS	20	22	4.4
REGION			
Atlantic	22	17	3.7
Québec	19	28	5.3
Ontario	19	12	2.3
Prairies	21	32	6.7
British Columbia	22	22	4.8
INCOME			
Under $15,000	32	28	9.0
$15,000 - $24-999	20	29	5.8
$25,000 - $34,999	18	25	4.5
$35,000 - $50,000	15	14	2.1
Over $50,000	18	11	2.0
EDUCATION			
0 - 8 years	14	26	3.6
9 - 13 years	20	25	5.0
14 years and over	21	15	3.1
University degree	19	17	3.2
AGE			
18 - 29 years	34	21	7.1
30 - 44 years	20	22	4.4
45 - 59 years	13	29	3.8
60 years and over	8	12	1.0

SOURCE: Focus Canada Survey, 1990.
NOTE: [1] Includes both renter and homeowner households.

There is evidence that some security of tenure problems exist among renters. The risks of these problems are higher for younger and low-income households. While the data collected for the evaluation may inflate the incidence of security of tenure problems, up to 10 per cent or 329,000 of all renter households are estimated to experience security of tenure problems annually. Most problems are related to high housing costs in comparison to income and fewer to non-economic security of tenure problems (e.g. evictions).

Implication for Co-operative Housing Program Rationale

The estimates presented above suggest that there are substantial numbers of moderate-income households in Canada who are unable to afford homeownership even at minimum entry-level prices and with interest rates of 10 per cent. Some security of tenure problems seem to persist in private rental housing, although these relate to the impact of high housing costs in comparison with household incomes. Non-economic security of tenure problems (such as caused by evictions) seem to affect comparatively fewer renters in current rental markets.

The co-operative housing program provides one opportunity to contribute to meeting these needs, although the ability of the co-operative program to meet these needs has to be considered in subsequent chapters. Another factor to be considered is the market for co-operative housing units and for the co-operative form of tenure.

B. Market for Co-operative Housing

Demographic factors have altered the composition of housing demand generally over the post-war period. Rates of household formation increased following the undoubling of families and non-family individuals to create separate households of their own, especially among husband-wife families under 35. As incomes rose generally, family formation increased more rapidly among lower-income families. Non-family individuals increased by 160 per cent from 1951 to 1986. In 1986, 66 per cent of households had their own dwelling compared with 28 per cent in 1951. Overall, 13 per cent of net household formation in the post-war period was attributable to family household increase and 69 per cent to non-family household increase. The effects on tenure patterns were also marked. One study suggests that a polarisation has occurred between lower-income households who lived in the rental sector and middle-income households who were able to enter the homeownership sector[1].

While the market for co-operative housing is sensitive to the same socio-demographic and other factors which affect all segments of the housing market, co-operative housing has distinct features from other housing. It could be argued that these features render the co-operative housing market different from general housing markets. Residents of housing co-operatives are required to accept the responsibilities of membership which include participation in the activities and management of the co-operative. Interest in co-operative

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[1] (John R. Miron "Household Formation, Affordability and Housing Policy". Population Research and Policy Review, 8, 1989, 55-77).

housing may include both interest in the co-operative form of tenure, and interest in affordable, adequate housing. Whatever its type, a sufficient market must be shown to exist if co-operative housing is to meet the needs of the target population. The ability of co-operative housing to serve a broad market segment is affected in the first instance, by consumer knowledge about and acceptance of this housing alternative.

Knowledge About and Interest in Co-operative Housing

Whereas in the past, lack of knowledge about co-operatives may have hampered the growth of the co-operative sector, a recent Focus Canada Survey (1990) showed that co-operative housing is familiar to most Canadians today. Almost four out of five respondents in a representative sample opinion survey said that they had heard about co-operative housing. Not only was knowledge of co-operatives widespread, but also 31 per cent of renters surveyed (15 per cent of all respondents and 8 per cent of owners) said they would move into a housing co-operative within the next year if a suitable unit was available at market rent. Interest in moving into a housing co-operative within the next year was consistent among lower and moderate income ranges, and even higher for the lowest-income group (under $15,000 annual income). About 13 per cent of renters said that they had applied for or enquired about living in a housing co-operative (Table 5.6).

TABLE 5.6
KNOWLEDGE ABOUT AND INTEREST IN CO-OPERATIVE HOUSING

	PER CENT HEARD OF CO-OP	PER CENT INTERESTED IN CO-OP[1]	PER CENT APPLIED FOR CO-OP[2]
(n)	(2002)	(2002)	(2002)
All respondents	78	15	7
TENURE			
Owners	79	8	5
Renters	76	31	13
REGION			
Atlantic	77	10	7
Québec	74	14	10
Ontario	79	17	6
Prairie	81	15	7
British Columbia	83	15	8
INCOME			
Under $15,000	71	19	12
$15,000 - $24,999	71	15	9
$25,000 - $34,999	79	16	6
$35,000 - $50,000	81	16	9
Over $50,000	84	10	3
EDUCATION			
0 - 8 years	67	9	7
9 - 13 years	77	16	8
14 years and over	84	15	6
University degree	89	14	7
AGE			
18 - 29 years	71	26	9
30 - 44 years	82	15	9
45 - 59 years	82	9	5
60 years and over	76	7	4

SOURCE: Focus Canada Survey, 1990-92.

NOTE:

[1] The Survey asked if respondents would move into a suitable co-operative unit within the next year if it were available at market rent.

[2] The Survey asked if respondents ever applied for or enquired about living in a housing co-operative.

The interpretation of these findings raises some questions. For example, there is a margin between those who expressed interest in co-operatives and the numbers who have actually applied to live in a co-operative. It is not clear whether this is related to a shortage of supply or if there are any other impediments preventing interested households from following through on their interest in co-operative housing.

At the same time, the survey results imply a considerable market for co-operative housing. Given that 38 per cent of renters surveyed had moved in the previous year (an estimated 1.3 million renter households), and assuming that 31 per cent of these households would move into a suitable co-operative unit if one were available, roughly 400,000 renter households could be defined as representing the potential market for co-operative housing. However, the survey also showed that only 13 per cent of renter households had ever applied for or enquired about co-operative housing. Assuming 13 per cent of those who move in a given year act on their interest in co-operative housing, the potential market would be approximately 164,000 households in any given year. Given the stock of co-operative housing units by 1990 is approximately 55,000 dwellings, the range of 164,000 to 400,000 households suggests that there is a sizeable market for co-operative housing.

More direct indicators of the market for co-operative housing are waiting lists, turnover rates and vacancy rates in these projects. Data from the Project Managers/Co-ordinators Survey tend to support the view that the overall market for co-operative housing is considerable based on these indicators.

Waiting Lists and Waiting Periods

As shown in Table 5.7, about a fifth of co-operatives have no list or do not maintain waiting lists according to the project managers or co-ordinators. For those co-operatives with waiting lists, the number of applicants varied considerably among projects. For example, one FCHP co-operative reportedly had 140 applicants on its waiting list for market rent units and one FCHP project had 144 applicants on its waiting list for subsidised units. Among Sections 61 and 95 co-operatives surveyed, several reported waiting lists as large as 200 to 300 applicants. However, lists of these magnitudes were comparatively infrequent, and the median sizes of combined lists ranged from about 30 applicants in Section 95 to 29 applicants in Section 61 to 26 applicants in FCHP projects (Table 5.7). The composition of waiting lists varied among the programs. In Section 95 and FCHP projects, roughly half the applicants were for full-charge units and half for subsidised units. In comparison, just over one-third of applicants in Section 61 co-operatives were for subsidised units.

TABLE 5.7
WAITING LIST SIZE AND COMPOSITION BY PROGRAM

	FCHP	SECTION 61	SECTION 95	POST-1985 N-P CO-OP
Percentage of projects with no waiting lists	21.1	21.5	17.5	0.0
Median number of applicants on lists				
Full-charge unit	11.7	25.5	17.5	10.4
Subsidised unit	14.1	14.3	17.7	34.6
TOTAL	25.7	29.1	30.3	48.8
Estimated total Waiting list	5,108	2,361	33,091	1,700
(% subsidised)	(54.8)	(35.9)	(50.2)	(76.8)
Number of units available	6,981	6,913	39,569	2,862

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

NOTE: Data are post-1985 non-profit co-operatives in this and subsequent tables shown for comparison purposes.

Based on these survey data, the estimated total number of applicants on waiting lists was derived by multiplying the median waiting list size by the number of projects likely to have waiting lists. Excluding the post-1985 non-profit co-operatives, the total estimated number of applicants on co-operative project waiting lists was 40,560. This number is equivalent to over 70 per cent of the current portfolio of units in the three programs. Nearly 50 per cent of these applicants would be on waiting lists for RGI units. These data tend to show that there is a market for both the non-RGI and the RGI units.

Waiting list indicators are not exact measures of the market because they often involve positive and negative biases that may offset each other. For example, double-counting often occurs because the same applicant is recorded on two or more lists. On the other hand, some applicants on lists may not intend to move or, depending on the length of the waiting period, may no longer be interested in the co-operative if they have found other satisfactory housing. Furthermore, practices regarding waiting lists may vary. Some co-operatives may choose not to maintain a waiting list because turnover of units is very low, or interest in the co-operative so strong that any vacancy arising is rapidly filled by word-of-mouth advertising.

As well, waiting periods for an available unit are quite lengthy in most co-operatives, which may lead to co-operatives closing their waiting lists to new applicants. For full-charge units,. the median waiting period in FCHP projects was approximately seven months and a little over a year in Sections 61 and 95 projects. Applicants for subsidised units have to wait, on average, over twice as long as applicants for full-charge units (twelve months in FCHP projects and eighteen months in other co-operative projects). Such lengthy waiting periods may in themselves act as a disincentive for further applicants to enter their names on waiting lists, or, as the waiting list literature suggests, act as a rationing device reducing potential demand for the housing services.

The lengthy waiting period may be one factor to account for the difference between the Focus Canada Survey data discussed earlier and the estimated size of waiting lists derived from the Managers/Co-ordinators Survey. The Focus Canada Survey showed that about 13 per cent of renter households had applied for or inquired about co-operative housing, and if 13 per cent of those renters who move in a given year acted on their interest in moving into a co-operative unit, waiting lists in the order of 164,000 households would be expected. Comparison with actual waiting list estimates implies that almost one-quarter of those potentially interested actually place their names on waiting lists, suggesting that the potential market for co-operative housing is even stronger than waiting list data indicate, and that supply constraints might potentially discourage other potential applicants.

Turnover Rates

On average, one in three renter households moves each year, (the 1990 Focus Canada Survey reported that 38 per cent of renters had moved in the previous year compared with 12 per cent of homeowners surveyed). While unit turnover rates are not directly comparable, they give some indication of the relative residential mobility in co-operative versus rental housing. Table 5.8 shows turnover rates in co-operative housing projects by type of program.

TABLE 5.8
TURNOVER RATES IN CO-OPERATIVE HOUSING PROJECTS BY PROGRAM

	UNITS TURNED OVER IN PAST TWELVE MONTHS	
PROGRAM	**%**	**ESTIMATED TOTAL NUMBER**
FCHP	24.9	1,738
Section 61	11.8	816
Section 95	21.3	8,411
Post-1985 Non-profit Co-operatives	20.9	598
ALL TYPES	20.5	11,515

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

The average unit turnover rate reported was highest in the FCHP projects (nearly 25 per cent), and lowest in Section 61 projects (11.8 per cent). The average for all co-operative projects was 20.5 per cent. These data suggest that co-operative housing in general experiences lower turnover than indicated by residential mobility data for the rental sector but higher than occurs in the ownership sector.

Comparing turnover rates with the size of current waiting lists provides some indication of the overall market. For co-operative stock as a whole there appears to be sufficient applicants on existing waiting lists to fill the units becoming available through turnover for about three years. Interest in co-operative units (as indicated by the ratio of waiting list size to unit turnover) appears to be stronger for the older co-operatives than for the FCHP projects although these differences could be attributable in part to the growth in waiting list size over the years of project operation and to differences in occupancy charges.

Vacancies in Co-operative Housing

The Survey of Co-operative Housing Managers/Co-ordinators asked respondents to estimate the number of units vacant in their projects for one month or longer during the past twelve months. The data provided do not permit estimates of total vacant unit months, nor do they allow calculation of vacancy rates in the conventional meaning of this term. Vacancy rates as compiled by CMHC's Rental Market Survey System (RMSS), which provide conventional vacancy rates, are based on the number of units vacant at one point in time, and relate to units vacant and ready for occupancy at the time of the survey. Some of the co-operative units vacant for longer than a month may not have been ready for occupancy (although over 90 per cent were reported to have been prepared for occupancy within one month, as discussed in Chapter IX). In the case of the FCHP projects, some of the longer vacancies may relate to the initial absorption of the units since the FCHP projects included in the survey were those with an Interest Adjustment Date prior to June 1989, and the survey period overlapped with the first year of occupancy. This factor may account to some extent for a higher percentage of longer vacancies in ILM projects as compared with other projects.

Table 5.9 shows that the proportion of units vacant for a month or longer during the previous twelve months varied from 3.6 per cent in Section 61 projects to 4.3 per cent in Section 95 projects and to 13.3 per cent in FCHP projects. The post-1985 Non-profit co-operative projects also had a higher proportion of longer vacancies than the earlier co-operative projects. The average of 5.6 per cent for all projects is strongly affected by the large proportion of the total units in the Section 95 program. For reasons noted above, these rates are much higher than conventional vacancies rates as shown from the RMSS data base as less than one per cent (Table 5.11). It should also be noted that these data on longer vacancies are based on completed responses for only half of the projects surveyed.

TABLE 5.9
VACANCIES ONE MONTH OR LONGER DURING PREVIOUS TWELVE MONTHS IN CO-OPERATIVE PROJECTS BY PROGRAM

PROGRAM	PER CENT UNITS VACANT ONE MONTH OR LONGER
FCHP	13.3
Section 61	3.6
Section 95	4.3
Post-1985 Non-profit Co-operatives	9.8
ALL TYPES	5.6

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Table 5.10 summarises the reasons given for vacancies longer than one month. The most frequently selected reason in Sections 61 and 95 projects was the physical condition or maintenance of the unit or project (e.g. needs repair). Some

18.9 per cent of Section 61 project managers/co-ordinators and 14.8 per cent of Section 95 respondents selected this reason, compared with only 4.9 per cent in FCHP projects. These data suggest that the older projects may be less attractive to applicants than newer projects. In FCHP projects, the reasons most often selected for longer vacancy periods were "housing charges too high" (21.9 per cent of respondents selected this reason), "unit size or type" (15.9 per cent) and "high vacancy rate in community" (12 per cent of respondents selected this reason). "High housing charges" and "high vacancy rates in the community" were selected by less than 6 per cent of respondents in Sections 61 and 95 co-operatives. Inappropriate "unit size or type (e.g. too small or too large)" was selected much more often in FCHP projects (15.9 per cent) than in Section 95 projects (6.3 per cent) but this was the second ranking factor in Section 61 projects (12.9 per cent). Interestingly, "unit size or type" was given most often as the reason for vacancies in the post-1985 non-profit co-operatives (20.9 per cent of respondents selected this reason). These findings tend to suggest that the mix of unit sizes in some projects does not match the profiles of household sizes on waiting lists or potential applicants in the local market.

Market factors (such as price and rental vacancy rates) influence demand for co-operative units to a considerable extent in FCHP co-operatives whereas the size and condition of units appear to have a more important impact on older co-operatives. Environmental factors such as availability of facilities or services (e.g. shopping, recreation, health care) and levels of crime and vandalism were rarely given as reasons for longer vacancies in any of the programs. Respondents were also asked if lack of interest in co-operative housing contributed to longer vacancies, and this reason was most often selected in FCHP projects (10.9 per cent compared with 2.9 per cent in Section 61 projects and 6.0 per cent in Section 95 projects). FCHP projects were also the ones most likely to give high rental vacancies as a factor, and were most likely to experience vacancies greater than one month. Sixty per cent of FCHP projects surveyed compared with less than 40 per cent of Sections 95 and 61 projects reported vacancies longer than a month.

TABLE 5.10
FACTORS CONTRIBUTING TO VACANCIES LONGER THAN ONE MONTH BY PROGRAM

FACTORS	FCHP %	SECTION 61 %	SECTION 95 %	POST-1985 N-P CO-OP %
No vacancies longer than one month	40.7	62.4	61.8	55.2
Unit size or type (eg. too small or too large)	15.9	12.9	6.3	20.9
Physical condition or maintenance of unit or project (eg. needs repair)	4.9	18.9	14.8	0.0
Housing occupancy charges too high	21.9	1.4	4.1	15.1
Lack of facilities or services (eg. shopping, recreation, health care)	2.6	0.0	0.7	4.6
Level of crime or vandalism	1.9	4.4	1.2	0.0
Lack of interest in co-operative housing	10.9	2.9	6.0	5.8
High vacancy rate in community	12.0	5.9	4.1	10.5
Other factors	23.6	8.6	11.3	21.1

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Housing Market Variation and the Market for Co-operative Housing

Co-operative housing has been provided in a range of housing markets with varying market conditions. The market for co-operative units and the viability of co-operative projects has to be assessed in relation to general market conditions. This section first reviews 1989 vacancy and market rent data from CMHC's Rental Market Survey System (RMSS) for private rental and co-operative housing in metropolitan areas, and, secondly, assesses the implications for the co-operative housing market.

In metropolitan areas in 1989, the average vacancy rate in co-operative housing funded under Sections 61 and 95[1] was 0.6 per cent compared with 2.7 per cent in private rental housing (Table 5.11). In most centres, vacancy rates in co-operative housing were shown to be less than one per cent and in some centres zero rates were reported. Higher vacancy rates in co-operative housing were shown in centres such as Saskatoon, Saint John, St. John's and Winnipeg, generally centres which also experienced above average rental vacancy rates, but in all of these centres, except Saint John, vacancies were lower than in private rental units. These data indicate a considerable market for co-operative housing but also show the sensitivity of co-operative market to local housing market demand/supply conditions.

The aggregate vacancy rates were weighted according to the volumes of housing stock of different sizes in each centre. Disaggregating the vacancy rates by number of bedrooms shows higher vacancy rates among smaller (bachelor and one-bedroom) units than larger (three or more bedrooms) units in many centres. For example, Hull, Sherbrooke and Winnipeg have above average vacancy rates in bachelor stock for both rental and co-operative housing. Among one-bedroom and two-bedroom stock, co-operative housing has lower vacancy rates than rental housing (except in the case of Edmonton). One- and two-bedroom units comprise 15 per cent and 36 per cent of the total co-operative housing stock. Among units with three or more bedrooms (which comprise nearly 48 per cent of the co-operative housing stock), co-operative vacancy rates are considerably lower than rates in private rental housing in most centres. Notable exceptions occur in Regina, Saint John, St. John's, Vancouver and Winnipeg.

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[1] FCHP co-operative units were excluded from this analysis because of insufficient observations in the data base.

TABLE 5.11
VACANCY RATES IN PRIVATE RENTAL AND CO-OPERATIVE HOUSING BY METRO AREA AND NUMBER OF BEDROOMS, 1989

	BACHELOR		ONE-BEDROOM		TWO-BEDROOM		THREE-BEDROOM		ALL TYPES	
METRO AREA	RENTAL[1]	CO-OP[2]	RENTAL	CO-OP	RENTAL	CO-OP	RENTAL	CO-OP	RENTAL	CO-OP
Calgary	1.4	-	1.4	0.0	1.4	0.0	0.9	0.0	1.4	0.0
Chicoutimi-J	6.6	-	6.4	1.0	5.4	0.0	2.5	0.5	5.1	0.6
Edmonton	3.8	-	3.3	12.9	2.1	2.8	1.6	1.1	2.6	2.2
Halifax	3.0	0.0	3.4	0.0	4.2	1.9	2.8	0.5	3.7	0.7
Hamilton	1.7	0.0	0.5	0.0	0.4	0.0	0.4	0.0	0.5	0.0
Hull	4.9	9.1	3.7	2.9	3.3	0.6	2.1	1.2	3.4	1.2
Kitchener	1.9	-	0.4	0.0	0.3	0.0	0.5	0.0	0.4	0.0
London	2.5	-	1.7	0.0	1.5	0.5	1.8	0.0	1.6	0.1
Montreal	5.1	0.0	4.2	1.0	3.5	0.8	3.1	0.5	3.9	0.7
Oshawa	0.5	-	0.7	-	0.4	0.0	0.2	0.0	0.5	0.0
Ottawa	2.1	0.7	1.7	0.7	1.4	0.6	1.1	0.6	1.5	0.6
Québec	6.5	0.7	4.5	1.8	3.7	0.8	2.7	0.4	4.0	0.8
Regina	5.2	-	7.8	0.8	7.2	2.3	4.5	10.4	7.2	3.0
Saint John	6.1	-	5.5	0.0	2.8	6.3	3.7	25.0	3.9	5.9
Saskatoon	7.2	-	9.9	-	9.4	6.3	7.2	6.3	9.3	6.3
Sherbrooke	9.7	9.6	9.1	1.4	6.9	0.7	5.1	0.7	7.5	1.1
St. Catharines-N	4.3	-	1.5	0.0	0.7	0.6	0.8	0.5	1.1	0.5
St. John's	16.7	-	4.0	-	4.8	-	3.9	4.5	5.8	4.5
Sudbury	1.1	-	0.8	0.0	0.4	0.0	0.3	0.0	0.6	0.0
Thunder Bay	3.7	0.0	1.8	0.0	1.0	0.0	2.2	0.0	1.5	0.0
Toronto	0.4	0.2	0.3	0.0	0.3	0.0	0.4	0.1	0.3	0.0
Trois-Rivières	9.9	-	6.9	0.0	5.1	0.0	3.7	0.0	5.6	0.0
Vancouver	0.5	0.0	0.4	0.1	0.4	0.8	0.5	1.1	0.4	0.8
Victoria	0.6	0.0	0.4	0.0	0.4	0.0	0.0	0.1	0.4	0.1
Windsor	1.1	-	1.4	0.0	1.4	0.0	0.5	0.0	1.3	0.0
Winnipeg	5.6	5.0	5.8	3.3	4.4	2.2	3.7	5.5	5.1	4.0
Average	-	-	-	-	-	-	-	-	2.7	0.6

SOURCE: CMHC, Rental Market Survey System (RMSS).

NOTES:
[1] Private Market rental units as of April and October 1989.
[2] Sections 61 and 95 only (FCHP excluded because insufficient observations in RMSS dataset). Co-operative data for October 1989 only.

Generally these data suggest that there is interest in all types of co-operative units in most markets. Nevertheless, there are notable exceptions. One factor affecting the competitive position of co-operative housing in local markets is the relative price of rental and co-operative dwellings. The RMSS data do not, however, reveal a consistent relationship between vacancy rates in co-operative housing and price differentials by market area (Table 5.12). For example, for bachelor units, the average price of co-operative units was lower than rental in both Hull and Sherbrooke but higher than rental units in Winnipeg. Among three-bedroom units, the average price of co-operative units was lower than rental units in about 85 per cent of the centres including Regina, Saint John and Winnipeg (which had high co-operative vacancy rates). In St. John's, the average price of three-bedroom co-operative units was higher than similar rental units which could account for higher vacancy rates. In general, these data suggest that factors other than price influence the competitive position of co-operative housing in the market place. This having been said, it is worth noting that the average prices of co-operative units are much lower than average rents for comparable dwelling sizes in some tight markets such as Toronto, Vancouver, Victoria and Hamilton which may be expected to contribute to a strong market for co-operative housing in these centres.

The market for co-operative housing is related to its competitive position vis-à-vis private rental housing and the affordability of homeownership discussed earlier in this chapter. The market for and viability of co-operative housing could be expected to be strongest under conditions of low rental vacancy rates and where the majority of moderate-income households are unable to afford homeownership (Tables 5.1 and 5.11). These conditions are typified in markets such as Toronto, Vancouver, Victoria, Hamilton and Kitchener. At the opposite end of the spectrum are markets experiencing above average rental vacancy rates and in which the great majority of moderate-income households could afford homeownership (assuming moderate interest rates). Markets such as Regina, Saskatoon, Chicoutimi and Winnipeg could be expected to have a relatively weaker market for co-operative housing based on general market conditions. In these areas, a rationale for the FCHP based on meeting the needs of moderate-income households could be questioned even though the rationale has validity under different market conditions. Between the two ends of the spectrum are a variety of market conditions characterised by average to moderate vacancy rates and 20 to 30 per cent of moderate-income households being unable to afford homeownership. Under these conditions, moderate interest in co-operative housing could be anticipated and the market may relate to the relative attractiveness of actual co-operative projects in terms of location, facilities and amenities as compared with rental housing options.

The variability of rental and ownership market conditions across Canada makes it difficult to generalise about the potential market for co-operative housing. It is certainly the case that interest in co-operative housing appears to be strong in many localities where it is meeting needs not met by the private market. At the same time, the co-operative market is weaker in other areas and the viability of specific projects would have to be carefully considered on their own attributes.

TABLE 5.12
AVERAGE PRICES OF PRIVATE RENTAL AND CO-OPERATIVE HOUSING UNITS, BY METRO AREA AND NUMBER OF BEDROOMS, 1989

	BACHELOR		ONE-BEDROOM		TWO-BEDROOM		THREE-BEDROOM	
METRO AREA	RENTAL[1]	CO-OP[2]	RENTAL	CO-OP	RENTAL	CO-OP	RENTAL	CO-OP
Calgary	313	-	413	-	533	-	586	500
Chicoutimi-J	260	-	326	346	381	415	406	263
Edmonton	306	-	383	419	474	465	541	533
Halifax	399	266	466	411	552	508	671	563
Hamilton	316	360	406	414	493	484	635	555
Hull	336	268	402	311	462	368	522	448
Kitchener	341	-	415	420	494	567	632	626
London	338	-	413	370	513	494	632	527
Montreal	339	258	408	329	460	364	535	384
Oshawa	406	-	522	-	569	-	693	663
Ottawa	382	353	481	442	607	538	704	586
Québec	341	243	410	283	460	327	526	331
Regina	271	-	391	366	481	439	547	545
Saint John	275	-	321	282	381	329	400	389
Saskatoon	263	-	362	442	439	475	499	507
Sherbrooke	276	219	323	293	378	352	440	410
St. Catharines-N	300	-	399	440	479	456	559	501
St. John's	349	-	442	-	522	-	486	527
Sudbury	321	-	370	445	446	542	529	608
Thunder Bay	282	296	420	402	545	428	606	449
Toronto	429	378	530	412	648	538	800	669
Trois-Rivières	278	-	316	243	353	304	401	281
Vancouver	417	308	513	441	682	567	812	673
Victoria	345	-	428	397	554	460	666	507
Windsor	291	-	435	-	522	523	596	559
Winnipeg	299	347	409	450	515	507	610	564

SOURCE: CMHC, Rental Market Survey System (RMSS).

NOTES: [1] Private market rental units as of April and October 1989.

[2] Sections 61 and 95 only (FCHP excluded because insufficient observations in RMSS dataset). Co-operative data for October 1989 only.

Comparison of Co-operative Occupancy Charges to Market Rent

As part of CMHC's semi-annual Rental Market Survey, occupancy charge data for housing co-operatives was collected together with information on market rents in the private rental market. The analysis which follows makes a standardised comparison between occupancy charges on co-operatives funded under the Federal Co-operative Housing Programs and private market rents. This standardised analysis controls for as many characteristics of the respective stocks as the RMSS data base allows for. In order to carry out this controlled comparison, a hedonic price equation is constructed and estimated using a standard ordinary least squares regression procedure.

This procedure disaggregates the monthly rent paid on a specific dwelling unit into a number of relevant attributes including geographic location (region, whether it is in a census metropolitan area and whether it is in the Toronto or Vancouver markets), the number of bedrooms in the unit, the type of structure, whether the rent includes other services (such as heat or parking) and the age of the building (as a measure of depreciation). The statistical procedure quantitatively estimates the relative contribution of each of these factors on an average dwelling unit's rent. Since differences in the rents for co-operative units as compared with other private rental units may be a result of some underlying difference in their characteristics, these are at least partially controlled for so that the net difference can be estimated.

The results of this regression procedure are shown in Table 5.13. The parameter on the Section 61/95 dummy variable is negative and is statistically significant, suggesting that pre-1986 co-operatives are setting occupancy charges below the market rent. This could mean that these occupancy charges are below market, or that these units are more modest than equivalent market rental units in such a way that this model was unable to adjust for.

In contrast, the FCHP co-operative dummy is not statistically different from zero which suggests that FCHP co-operative housing units are at market rent. This also suggests that FCHP housing is no more or less modest than equivalent private rental housing.

TABLE 5.13
OLS REGRESSION ESTIMATE OF THE DIFFERENCE IN MONTHLY RENT BETWEEN CO-OPERATIVES AND PRIVATE RENTAL STRUCTURES

DEPENDENT VARIABLE: AVERAGE MONTHLY RENT PER UNIT TYPE PER STRUCTURE

VARIABLE	PARAMETER ESTIMATE	T-STATISTIC
Intercept	379.89*	44.26
Section 61/95 co-op dummy	-61.52*	-15.65
FCHP co-op dummy	-5.78	-0.63
Building age in years	-2.15*	-24.55
Number of bedrooms	75.52*	46.69
Apartment (versus row) dummy	-34.26*	-6.01
Heat included in rent dummy	9.33	1.87
Parking included in rent dummy	-30.08*	-8.82
Light included in rent dummy	13.25*	3.35
Hot water included in rent dummy	6.01	1.22
Cable included in rent dummy	4.63	0.97
Census metro area dummy	53.28*	15.00
Vancouver/Toronto dummy	106.19*	21.75
Atlantic region dummy	-8.88	-1.01
Québec region dummy	-63.56*	-10.74
Ontario region dummy	16.72*	3.09
Prairie region dummy	-37.32*	-6.13

SOURCE: Rental Market Survey System, CMHC, October 1989.
NOTE: $R^2 = 0.389$
$n = 9,733$
* Significant at 95 per cent criterion.

C. Market Segments Served by Co-operative Housing

Previous studies have shown that co-operative housing has attracted a broad cross-section of household types, income and education groups in markets across Canada. However, the market for co-operative housing has been predominantly family oriented including couples without children, two-parent families and one-parent families. In addition, some co-operatives provide a portion of their units for special needs groups such as the disabled, and sponsor refugee families. Some co-operatives have been developed especially for senior citizens while other co-operatives house seniors as well as families within one project. The characteristics of co-operative residents are discussed in detail in the following chapter but the market segments currently being served will be discussed here.

Table 5.14 shows the proportion of co-operatives that are trying to meet the needs of special types of households. At least 60 per cent of projects in all programs are trying to serve single-parent households and about half of all projects are trying to accommodate the elderly. Attempts to serve the disabled or handicapped appear to have increased with each successive program. Fewer than 30 per cent of Section 61 co-operatives said they were trying to meet the needs of disabled groups. This compares with 44 per cent of Section 95 co-operatives and 52 per cent of FCHP co-operatives. Around 40 per cent of co-operatives are trying to meet the needs of non-elderly singles. One-quarter to one-third of co-operatives are also trying to meet the needs of other special types of households.

Program guidelines for the FCHP state that, where practicable, five per cent of the units in each project are to be designed to accommodate persons with disabilities where warranted on the basis of demand. Survey results show that 52 per cent of FCHP co-operatives tried to meet the needs of disabled or handicapped clients.

TABLE 5.14
PROPORTION OF CO-OPERATIVES TRYING TO MEET THE NEEDS OF SELECTED GROUPS

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT CO-OP
Non-elderly single without children	43.8	38.8	40.1	39.3
Single-parent households	67.3	64.8	76.1	84.5
Disabled or handicapped	51.7	28.4	44.0	79.3
Elderly people	52.8	49.8	54.2	44.4
Other	25.1	35.3	31.1	25.2

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

While many co-operative residents are long-time residents, some studies have suggested that one component of the co-operative market comprises younger families who live in co-operative housing while saving for a down payment on a home. If housing charges in co-operatives were equivalent to rents for similar housing, the same propensity for saving a down payment might be expected to occur among co-operative residents as among tenants. However, if housing charges in co-operatives were lower than private rental charges, residents in co-operatives might have higher propensities to save for a down payment. In this case, co-operative housing could play a role as "starter homes" enabling families to move into the individual homeownership market.

The Survey of Co-operative Housing Managers/Co-ordinators sought manager/co-ordinator opinions about the previous type of residence of incoming members and about factors contributing to resident turnover in their co-operatives.

Table 5.15 shows the type of residence occupied by co-operative members before moving into their co-operative. Over half of co-operative residents in all programs moved from private rental housing. About 13 per cent of Section 61 and 95 residents come from privately-owned housing but the proportion has increased to nearly 20 per cent under the FCHP program. This may be an effect of setting rents at market levels under this program or the fact that an increasing proportion of seniors are being served.

TABLE 5.15
PREVIOUS HOUSING TYPE IMMEDIATELY BEFORE MOVING INTO THIS CO-OP

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT CO-OP ONTARIO	F/P NON-PROFIT CO-OP QUÉBEC
Another housing co-op	4.2	3.3	3.9	3.2	3.9
Public housing	10.7	9.1	11.6	9.3	36.8
Other type of assisted housing	2.0	2.7	2.7	4.8	1.4
Rental other than assisted housing	55.3	63.1	64.0	63.7	42.5
Privately-owned housing	19.8	12.7	13.3	11.8	9.5
No permanent shelter	1.4	5.0	0.6	2.3	1.7
Other	6.6	4.2	3.9	5.0	4.2

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Data on the destination of members leaving co-operatives come from the managers' survey. Admittedly a "second-best" source of information on the reasons why people move out of housing co-operatives, there was no easily accessed profile of ex-co-operative residents to provide these data directly. Caution must be exercised in interpreting these data, not only because they are based on managers' opinions and recall of events, but also because no ranking of importance of these factors was obtained. Respondents were asked to check all the factors that applied in their co-operative, and therefore they could check a factor which applied in only one case of resident turnover.

The factor most frequently identified as contributing to resident turnover was residents moving out to private ownership (to buy a house) (Table 5.16). Two-thirds of FCHP managers, 70 per cent of Section 95 managers and over 60 per cent of Section 61 managers, identified this factor. The proportion was similar in post-1985 non-profit co-operatives as well where two-thirds of managers said residents moved out to buy a house. Generally, less than a third of managers identified moving into private rental housing as a factor, implying that moving out to buy a house occurred in twice as many projects as moving into rental housing. People being asked to leave ranked as the third most frequently selected factor in FCHP co-operatives, and second in the post-1985 non-profit co-operatives. In Section 61 co-operatives, unit size ranked as the second most frequently selected factor, and it ranked third in Section 95 co-operatives. Residents unable to devote time or commitment to co-operative activities ranked fourth or fifth in frequency. All other factors seem to make little contribution to resident turnover, except that high housing charges was selected by almost 20 per cent of FCHP managers compared with 6.9 per cent in Section 95 and 4.8 per cent in Section 61.

These data imply that co-operative housing often leads to individual homeownership for some co-operative residents in a majority of co-operatives. The extent of this tendency cannot be determined from these data.

Co-operative resident moving intentions and the reasons given for planning to move are discussed in the following chapter. The high incidence of residents being asked to leave non-profit co-operative projects is anomalous. It may reflect loss of eligibility for RGI assistance due to household income change.

The data also highlight the fact that involvement in co-operative housing may not be suitable for all households. Table 5.16 indicates that some co-operatives experience turnover from households who are unable to devote the necessary time or commitment to co-operative activities, presumably these are voluntary moves on the part of the residents. As well, some co-operatives have experience of "asking residents to leave". Findings from the co-operative case studies suggest that this occurs quite rarely and generally stems from continuing arrears in housing payments. Although co-operative residents membership agreements require member participation, the case studies indicate that co-operatives normally operate with about 60 per cent of members participating actively. Therefore, households may choose to move because they do not share the objectives of co-operative living.

TABLE 5.16
FACTORS CONTRIBUTING TO RESIDENT TURNOVER BY PROGRAM TYPE

FACTORS	FCHP PROJECTS %	SECTION 61 PROJECTS %	SECTION 95 PROJECTS %	POST-1985 N-P CO-OP PROJECTS %
Residents moving to private ownership (buy a house)	65.0	62.1	70.0	67.7
Residents moving to private rental housing	32.5	22.6	28.1	34.7
Residents moving to social housing (non-profit or public housing)	14.2	14.7	10.2	7.1
Unit size or type (eg. units are too small or too large)	25.2	39.9	27.3	18.1
Physical condition/maintenance of unit or project (e.g. needs repair)	2.1	4.9	2.7	0.0
Housing occupancy charges too high	19.4	4.8	6.9	14.2
Lack of facilities or services (e.g. shopping, recreation, health care)	5.7	2.0	3.6	3.1
Level of crime or vandalism	2.2	3.0	1.9	0.0
Residents asked to leave	29.0	20.2	20.6	47.3
Residents unable to devote time/commitment to co-operative activities	25.0	11.5	21.5	22.9
Other factors	29.2	34.7	32.2	18.1

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

D. Summary

This chapter addressed questions on the need for co-operative housing among moderate-income households unable to afford homeownership and the market for co-operative housing in general.

Nationally, just under one third of renter households with incomes above the core need income thresholds (CNIT's) are unable to purchase a suitable dwelling at 10 per cent mortgage interest rates. This percentage climbs to just over 55 per cent if interest rates are at 15 per cent. At 10 per cent mortgage interest rate, 91.8 per cent of above-CNIT households unable to afford homeownership are in Québec, Ontario and British Columbia, while at 15 per cent mortgage interest rate, 86.0 per cent are in these three provinces.

Homeownership affordability varies by market. The evidence suggest the need to reconsider co-operative housing assistance in some markets where homeownership is more affordable. If these markets also experience high vacancy rates, co-operative housing may have difficulty competing in the local market place.

There is evidence that some security of tenure problems exist among renters. The risks of these problems are higher for younger and low-income households. While the data collected for the evaluation may inflate the incidence of security of tenure problems, up to 10 per cent or 329,000 of all renter households are estimated to experience security of tenure problems annually. Most problems are related to high housing costs in comparison to income and fewer to non-economic security of tenure problems (e.g. evictions).

Most Canadians are familiar with co-operative housing. Overall, the estimated potential market for co-operative housing ranges between 164,000 and 400,000 households. In addition, waiting list data show that there is interest in both RGI and non-RGI units.

In general, co-operative housing experiences lower rates of turnover than rental housing but higher than the ownership sector. Factors such as price and rental vacancy rates, influence the market to a considerable extent in FCHP co-operatives whereas the size and condition of units appear to have a more important impact in older co-operatives.

When compared to private rental housing, vacancy rates in co-operatives support the considerable market for this form of tenure. On the other hand, the data show the sensitivity of the market for co-operative housing to local housing market demand/supply conditions.

A standardised comparison of occupancy charges in co-operatives and private market rents shows occupancy charges in Sections 61 and 95 co-operatives appear to be below market. On the other hand, the analysis suggests that FCHP housing units are at market rents.

The survey results show that a large percentage of co-operatives try to meet the needs of selected groups such as non-elderly singles without children, single-parent households, elderly people and the disabled or handicapped.

Program guidelines for the FCHP state that, where practicable, five per cent of the units in each project are to be designed to accommodate persons with disabilities where warranted on the basis of demand. Survey results show that 52 per cent of FCHP co-operatives tried to meet the needs of the disabled or handicapped.

The majority of members move to their co-operative from the private rental market in all programs while less than 20 per cent moved from private homeownership.

The most frequently identified factor contributing to resident turnover was residents moving to private ownership. The data imply that co-operative housing often leads to individual homeownership for some co-operative residents in a majority of co-operatives.

VI ACHIEVEMENT OF PROGRAM OBJECTIVES

The focus of this chapter is on those issues relating directly to the achievement of objectives under the three co-operative housing programs. This chapter examines the key socio-economic characteristics and housing situations of co-operative housing residents. Because such information is not available from program administrative data sources, all information presented herein is derived from analyses of the Co-operative Housing Resident Survey, commissioned as part of the Co-operative Housing Evaluation. The objectives of the federal co-operative housing programs are stated in Chapter II.

The Co-operative Housing Resident Survey was conducted for the Program Evaluation Division in early 1990 and included all residents in a sample of 298 co-operatives in all provinces of Canada. The sample included co-operatives funded under the FCHP, Section 61 and Section 95 federal co-operative housing programs, as well as co-operatives in Québec and Ontario funded under the Federal-Provincial Non-profit Housing Program. The survey was primarily a mail-out survey but also involved a multi-method follow-up technique in order to maximise response rates and therefore maximise data quality. Of the 9,628 dwelling units selected into the sample, over 80 per cent (7,744) of the households completed a survey questionnaire. It should be noted that the sample frame of FCHP co-operatives included in this survey was defined only for those co-operatives with an Interest Adjustment Date (IAD) before June 1, 1989. This consists of 6,809 FCHP units.

Section A provides a detailed review of the income-specific characteristics of co-operative housing residents and projects in order to determine the extent to which low and moderate income households are being served by the programs. Section B examines whether co-operative housing has continued to provide adequate, suitable, and affordable housing to its clients. Section C reviews the extent to which the Federal Co-operative Housing Program is meeting the objective of providing security of tenure. Finally, Section D examines whether the program is serving households who are unable to access homeownership.

A. Provision of Co-operative Housing to Low- and Moderate-Income Households

1. Income Levels

In this chapter, much discussion follows on the different characteristics of co-operative residents whose occupancy charges are geared-to-income as compared to those whose occupancy charges are not geared-to-income. In the FCHP co-operative housing program, geared-to-income (RGI) assistance is provided on a federal/provincial cost-shared basis through the Rent Supplement Program. Up to 50 per cent of FCHP co-operative units can be provided on this basis in all provinces which have signed the Agreement. This includes all provinces with the exception of Québec, Saskatchewan and British Columbia, where up to 30 per cent of the units can be funded under the Rent Supplement Program. Geared-to-income assistance in the pre-1986 Section 95 co-operative housing program is provided by the co-operative using the subsidy pool provided by CMHC. In general, Section 61 geared-to-income occupancy charges are determined within the co-operative using an optional "subsidy-surcharge" mechanism whereby higher-income residents pay a surcharge over and above the usual occupancy charge and lower-income residents may receive a corresponding subsidy.

The indicator used to determine whether a particular household is paying occupancy charges on a geared-to-income basis is derived from the Co-operative Housing Resident Survey. The indicator requires that households respond affirmatively to whether they are required to provide information about their income on an annual basis and whether this information is used to determine their monthly occupancy charge (ie. whether their occupancy charge is geared-to-income). If an affirmative response is provided on both questions, then the household is deemed to be "RGI". Table 6.1 shows the incidence of households in each program portfolio by province who identified themselves as being RGI.

TABLE 6.1
INCIDENCE OF CO-OPERATIVE RESIDENTS REPORTING THEMSELVES TO BE "RGI" BY PROVINCE

PROVINCE	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Newfoundland	54.7	-	36.9	-
Prince Edward Island	50.0	-	36.8	-
Nova Scotia	28.4	45.0	67.4	-
New Brunswick	37.1	-	35.5	-
Québec	27.3	22.0	44.9	96.0
Ontario	36.0	40.6	42.4	65.1
Manitoba	41.8	-	34.3	-
Saskatchewan	24.9	1.4	41.7	-
Alberta	44.7	77.9	91.5	-
British Columbia	35.7	89.0	84.1	-
CANADA	33.8	42.8	55.8	67.8

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Table 6.2 shows the perceptions of co-operative housing managers/coordinators on whether the number of RGI units in each co-operative has changed over time. In general, no large or widespread shifts in the number of RGI units has been seen in either the Section 61 or FCHP portfolios. However, a substantial increase in RGI units appears evident from the responses of Section 95 managers/ coordinators. Over 42 per cent of Section 95 co-operative managers/coordinators believe that there has been an increase compared to 35 per cent who perceive no change and 23 per cent who believe that the number of such units has declined in their co-operatives.

TABLE 6.2
COORDINATOR PERCEPTIONS ON WHETHER THE NUMBER OF RGI UNITS HAS CHANGED

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Large increase	6.5	10.9	14.2	16.6
Small increase	9.0	17.3	27.9	11.6
Same	81.8	48.1	35.2	63.6
Small decrease	2.7	16.4	17.6	8.3
Large decrease	0.0	7.3	5.2	0.0

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

Table 6.3 presents the basic income distributions of all co-operative housing residents by province for each of the three programs. In general, there is very little variation in the distribution nationally across the three co-operative housing programs. Fifty-nine per cent of both FCHP and Section 61 residents have incomes below $30,000 compared to 66 per cent of Section 95 residents. Mean annual incomes range nationally from $25,343 in Section 95 co-operatives to $26,468 in FCHP co-operatives, to $27,670 in the older Section 61 co-operatives.

TABLE 6.3
INCOME DISTRIBUTIONS BY PROVINCE OF CO-OPERATIVE HOUSING RESIDENTS, 1989

	LESS THAN $10,000	$10,000-$19,999	$20,000-$29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$59,999	$60,000 AND MORE	MEAN
FCHP								
Newfoundland	5.5	38.7	22.4	11.0	14.0	8.5	0.0	26,064
P.E.I.	12.4	39.7	24.4	20.7	2.9	0.0	0.0	20,048
Nova Scotia	12.4	24.7	15.8	25.1	13.7	6.0	2.3	27,181
New Brunswick	15.2	24.4	22.1	19.4	12.0	4.5	2.4	25,795
Québec	19.6	27.6	16.9	17.4	11.2	4.1	3.3	24,361
Ontario	13.4	23.6	16.0	22.9	14.0	6.3	3.9	27,703
Manitoba	22.0	41.5	22.5	6.1	5.4	2.2	0.5	18,365
Saskatchewan	6.3	40.0	23.7	21.8	4.3	3.0	1.0	23,100
Alberta	10.9	33.1	19.9	17.6	8.0	4.3	6.2	26,556
British Columbia	11.0	22.5	18.3	24.4	11.7	7.0	5.2	29,252
CANADA	14.6	26.2	17.5	20.7	11.8	5.4	3.7	26,468
SECTION 61[1]								
Newfoundland	-	-	-	-	-	-	-	-
P.E.I.	-	-	-	-	-	-	-	-
Nova Scotia	8.1	26.8	39.1	13.6	6.7	3.7	2.0	25,009
New Brunswick	-	-	-	-	-	-	-	-
Québec	17.6	36.9	21.0	16.0	4.7	3.4	0.5	20,797
Ontario	9.1	14.9	21.8	22.2	15.6	9.3.	7.2	32,474
Manitoba	-	-	-	-	-	-	-	-
Saskatchewan	21.1	54.9	17.5	4.6	1.9	0.0	0.0	15,099
Alberta	10.1	23.9	31.4	21.3	6.0	4.7	2.5	26,318
British Columbia	12.8	32.2	20.8	12.1	10.4	7.0	4.8	25,993
CANADA	12.2	24.6	22.0	18.6	11.1	6.9	4.6	27,670
SECTION 95								
Newfoundland	5.9	17.2	23.7	25.0	14.8	10.5	3.0	31,214
P.E.I.	11.8	25.3	20.9	22.8	13.3	3.7	2.1	26,012
Nova Scotia	7.5	39.5	24.1	19.1	6.8	2.0	1.1	23,162
New Brunswick	22.0	28.5	19.8	15.2	11.2	2.0	1.4	22,072
Québec	23.2	32.5	20.7	14.6	4.6	2.9	1.5	20,596
Ontario	8.1	18.6	23.2	16.7	15.4	10.6	7.4	31,657
Manitoba	15.3	29.3	22.1	19.3	9.6	2.8	1.6	24,094
Saskatchewan	11.1	33.1	25.5	16.7	6.8	3.4	3.5	24,326
Alberta	4.6	36.6	30.9	16.7	6.1	2.8	2.4	24,222
British Columbia	12.0	33.4	26.4	15.2	8.2	3.2	1.6	23,383
CANADA	13.6	28.4	23.6	16.0	9.5	5.4	3.5	25,343
POST-85-NP								
Québec	58.8	39.5	1.7	0.0	0.0	0.0	0.0	9,788
Ontario	10.5	31.7	24.8	13.7	11.0	4.2	4.2	25,782

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] There are no Section 61 co-operatives in Newfoundland, P.E.I., New Brunswick or Manitoba.

Interestingly, Section 95 co-operative residents in Newfoundland have incomes which are higher than the national average. Conversely, FCHP residents in Manitoba and Section 61 residents in Saskatchewan would seem to have average annual incomes which are well below any other province in Canada. In both provinces, this is likely a result of the preponderance of seniors' projects, as seen in Chapter III (Portfolio characteristics).

In general, co-operative housing residents in Prince Edward Island and Manitoba have the lowest incomes in the FCHP portfolio. For Section 95 co-operatives, Québec has the lowest mean income while Ontario and Newfoundland have the highest. Québec and Saskatchewan show the lowest mean incomes among Section 61 co-operatives.

Income distributions in Table 6.3 are also presented for residents in co-operatives developed under the Post-1985 F/P Non-profit Housing Program in Québec and Ontario for comparative purposes. The mean income of $9,788 in Québec is nearly identical to that of Public Housing clients. These co-operatives in Québec are fully targeted to core need clients. Ontario, on the other hand, generally mixes targeted and non-targeted households in each project. It is therefore not surprising that household incomes in these co-operatives in Ontario are similar to the federal co-operative housing programs.

In general, incomes of residents of Sections 61 and 95 co-operatives, which were developed in the 1970's and early-mid 1980's do not appear to be substantially lower than incomes of residents of the newer FCHP housing co-operatives.

A comparison of the middle of the national income distributions across the different program portfolios also tends to partially support the hypothesis of the existence of an "income gap" in the Federal Co-operative Housing Program. This income gap, it has been suggested, arises from the fact that non-RGI residents must pay market rent for a newly-constructed or renovated unit and such units might therefore not be affordable to households whose incomes are close to CNIT. Conversely, to be eligible for "geared-to-income" assistance in the Rent Supplement component of the FCHP, households must previously have been in core need. This was seen to potentially result in an income gap whereby few residents who are slightly above the Core Need Income Threshold would be able to live in an FCHP co-operative. As seen in Table 6.3, only 17.5 per cent of FCHP residents are in the income range of $20,000 to $29,999 compared to 23.6 per cent of Section 95 residents and 22.0 per cent of Section 61 residents. In addition, this income group represents a "valley" which is bounded by two peaks in the FCHP distribution. No such valleys exist for the other programs.

Differences in income distributions between RGI and non-RGI households are shown in Table 6.4. The largest differences in incomes between RGI and non-RGI households are seen for the FCHP program. The mean income of RGI households is $13,687 compared to $33,010 for non-RGI households in FCHP co-operatives. Further, 83.9 per cent of FCHP RGI households have incomes below $20,000 compared to only 19.1 per cent of non-RGI households.

Major differences in incomes between RGI and non-RGI households are also apparent for all other co-operative households. Mean household income for Section 95 RGI residents is $19,495 compared to $33,453 for non-RGI residents, while in Section 61 co-operatives, RGI households have an average income of $23,036 compared to $31,662 among non-RGI residents. F/P Non-profit co-operative residents in Ontario similarly show means of $18,715 and $36,173 for RGI and non-RGI resident households respectively.

TABLE 6.4
INCOME DISTRIBUTIONS BY RGI STATUS
OF CO-OPERATIVE HOUSING RESIDENTS, 1989

	PER CENT							
	LESS THAN $10,000	$10,000-$19,999	$20,000-$29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$59,999	$60,000 AND MORE	MEAN
FCHP								
RGI residents	33.2	50.7	12.5	1.7	1.3	0.5	0.0	13,687
Non-RGI residents	4.3	14.8	19.7	29.8	17.9	8.3	5.3	33,010
TOTAL	14.6	26.2	17.5	20.7	11.8	5.4	3.7	26,468
SECTION 61								
RGI residents	17.4	34.6	21.2	12.3	6.6	5.4	2.6	23,036
Non-RGI residents	7.8	17.1	21.5	23.5	15.5	8.1	6.6	31,662
TOTAL	12.2	24.6	22.0*	18.6	11.1	6.9	4.6	27,670
SECTION 95								
RGI residents	20.2	37.9	25.4	9.7	3.9	1.8	1.3	19,495
Non-RGI residents	4.5	15.6	20.9	24.8	17.2	10.4	6.7	33,453
TOTAL	13.6	28.4	23.6	16.0	9.5	5.4	3.5	25,343
F/P NON-PROFIT (ONTARIO)								
RGI residents	15.2	45.7	28.4	6.4	3.8	0.6	0.0	18,715
Non-RGI residents	5.4	11.5	16.2	21.0	26.6	9.7	9.6	36,173
TOTAL	10.5	31.7	24.8	13.7	11.0	4.2	4.2	25,782
F/P NON-PROFIT (QUÉBEC)								
RGI residents	58.8	39.5	1.7	0.0	0.0	0.0	0.0	9,788
Non-RGI residents	-	-	-	-	-	-	-	-
TOTAL	58.8	39.5	1.7	0.0	0.0	0.0	0.0	9,788

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: National estimate can exceed estimates for both RGI and non-RGI households since it includes non-respondents to the RGI survey question.

The incidence of RGI residents within each income category are presented in Table 6.5. In the lowest income category (less than $10,000 per year), 80.2 per cent of FCHP residents identified themselves as paying "geared-to-income" occupancy charges compared to 85.9 per cent for Section 95, 63.5 per cent for Section 61 and 83.9 per cent for F/P Non-profit co-operative residents in Ontario in the lowest income group. The corresponding figure for Québec non-profit co-operatives was 97.3 per cent. The second lowest income group ($10,000 to $19,999) shows a similar trend, ranging from 61.2 per cent who are "RGI" in the Section 61 portfolio to 76.6 per cent in the Section 95 portfolio. Between 84 and 97 per cent of F/P Non-profit residents earning $10,000 to $19,999 are RGI.

At the highest end of the income scale, no FCHP residents earning $60,000 or more reported that their occupancy charges are geared-to-income. This compares to 21.0 per cent of "high-income" Section 95 residents, and 23.1 per cent of Section 61 residents. No F/P Non-profit co-operative residents in Ontario earning $60,000 or more indicated that their occupancy charges are geared-to-income.

TABLE 6.5
NATIONAL INCIDENCE OF RGI RESIDENTS BY INCOME CATEGORY

	PER CENT OF RESIDENTS WHO ARE RGI				
		SECTION	SECTION	F/P NON-PROFIT	
INCOME	FCHP	61	95	ONTARIO	QUÉBEC
Less than $10,000	80.2	63.5	85.9	83.9	97.3
$10,000 - $19,999	64.3	61.2	76.6	88.1	95.2
$20,000 - $29,999	25.1	43.5	62.0	76.5	-
$30,000 - $39,999	3.0	28.9	34.3	36.3	-
$40,000 - $49,999	3.6	24.8	23.2	20.8	-
$50,000 - $59,999	3.2	34.1	18.6	9.9	-
$60,000 or more	0.0	23.1	21.0	0.0	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Table 6.6 shows the national income distributions of co-operative housing residents for each program. These incomes are for 1989 but deflated using the CPI to 1988. The last two rows also present the national income distributions of all households (renters and all households) in Canada in 1988 (data for 1989 are unavailable at the time of writing).

Tabulations presented in Table 6.6 show that the stock of co-operative housing under-represents the lowest renter income groups in Canada, while the highest income group is also under-represented. The middle income groups ($10,000 - $50,000) within co-operatives tend to be somewhat over-representative of the general renter population in Canada. By RGI status, non-RGI households show substantially higher incomes than the general renter population, while for RGI households, the opposite is found.

TABLE 6.6
NATIONAL INCOME DISTRIBUTIONS OF CO-OPERATIVE HOUSEHOLDS COMPARED WITH ALL CANADIAN HOUSEHOLDS (DEFLATED 1988 DOLLARS)

	PER CENT							
	LESS THAN $10,000	$10,000-$19,999	$20,000-$29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$59,999	$60,000 AND MORE	MEAN
FCHP								
RGI residents	39.9	49.7	7.7	1.5	0.7	0.5	0.0	13,035
Non-RGI residents	5.6	16.9	25.5	29.5	15.2	4.6	2.7	31,436
TOTAL	17.8	27.4	19.9	19.8	10.0	3.1	2.1	25,206
SECTION 61								
RGI residents	21.8	38.9	19.1	11.3	6.9	3.6	1.5	21,938
Non-RGI residents	8.8	19.7	25.0	25.0	12.7	4.4	4.5	30,152
TOTAL	14.8	26.5	22.9	18.8	10.0	3.9	3.1	26,350
SECTION 95								
RGI residents	24.4	39.9	22.9	8.0	3.1	1.2	0.5	18,565
Non-RGI residents	5.2	19.3	23.8	26.0	15.0	7.9	2.9	31,857
TOTAL	16.5	31.0	23.4	15.8	8.0	4.0	1.4	24,135
ALL FEDERAL CO-OPERATIVE HOUSING								
RGI residents	25.3	40.2	21.4	7.9	3.3	1.4	0.6	18,494
Non-RGI residents	5.8	19.0	24.2	26.4	14.7	6.9	3.1	31,534
TOTAL	16.4	29.9	22.9	16.7	8.5	3.8	1.7	24,550
F/P NON-PROFIT (ONTARIO)								
RGI residents	25.3	38.4	27.9	5.9	2.6	0.0	0.0	17,822
Non-RGI residents	6.3	11.7	18.9	25.3	26.0	7.2	4.6	34,448
TOTAL	17.4	26.6	25.4	14.7	10.8	2.8	2.4	24,552
F/P NON-PROFIT (QUÉBEC)								
RGI residents	65.4	34.1	0.5	0.0	0.0	0.0	0.0	9,321
Non-RGI residents	-	-	-	-	-	-	-	-
TOTAL	65.4	34.1	0.5	0.0	0.0	0.0	0.0	9,321
ALL RENTERS CANADA[1]	21.6	27.5	19.3	13.4	7.7	4.6	5.6	25,249
ALL HOUSEHOLDS CANADA	11.7	18.9	16.0	14.7	11.8	9.2	17.6	38,007

SOURCE: [1] Income distributions by Size in Canada, 1988, Statistics Canada, Table 43: Percentage Distribution of Families and Unattached Individuals by Income Groups and Tenure, 1988 and Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Table 6.7 provides a detailed breakdown of co-operative households' major source of income for RGI and non-RGI households. With the exception of the F/P non-profit co-operative program in Québec, among all types of households in all programs, employment income is the most frequent source of income. Among RGI residents, the incidence ranges from 38.2 per cent in the FCHP portfolio to 60.5 per cent in the Section 61 portfolio. The higher incidences for non-RGI residents range from 74.8 per cent in the FCHP portfolio to 80.4 per cent in the Section 61 portfolio.

Over 31 per cent of RGI FCHP households reported either provincial or municipal welfare (social assistance) as their major source of income in 1989, compared to 15.4 per cent of Section 95, 13.6 per cent of Section 61 RGI residents. Among non-RGI households in the federal co-operative programs, the corresponding incidence is consistently less than 4 per cent; however, 11.7 per cent of F/P Non-profit co-operative non-RGI residents in Ontario reported welfare as their major source of income for 1989.

TABLE 6.7
CO-OPERATIVE HOUSEHOLD MAJOR SOURCE
OF INCOME, BY RGI-STATUS

				F/P NON-PROFIT	
INCOME	FCHP %	SECTION 61 %	SECTION 95 %	ONTARIO %	QUÉBEC %
RGI RESIDENTS					
Employment income	38.2	60.5	53.2	54.3	13.7
Interest income	0.5	1.2	1.1	0.0	0.6
OAS/GIS	4.0	7.2	5.5	0.0	5.4
CPP/QPP	3.3	1.5	2.5	0.6	2.3
Private pension	0.5	2.1	1.1	0.0	0.0
Workers' compensation/ Disability allowance	1.0	1.5	1.4	2.4	0.0
Veteran allowance and Income Supplement	0.0	0.2	0.0	0.0	0.0
Unemployment insurance	2.9	0.3	1.8	2.1	3.3
Provincial welfare	17.4	8.5	6.7	24.8	3.8
Municipal welfare	14.3	5.1	8.7	3.5	42.2
Other	17.9	11.8	18.2	12.4	28.8
NON-RGI RESIDENTS					
Employment income	74.8	80.4	78.9	78.5	-
Interest income	1.6	0.8	0.3	0.0	-
OAS/GIS	2.1	1.4	1.6	0.0	-
CPP/QPP	1.1	2.0	1.4	0.0	-
Private pension	2.7	1.7	1.5	0.0	-
Workers' compensation/ Disability allowance	0.4	0.9	1.2	1.1	-
Veteran allowance and Income Supplement	0.0	0.0	0.0	0.0	-
Unemployment insurance	0.7	0.4	0.6	1.1	-
Provincial welfare	2.2	0.9	0.7	10.8	-
Municipal welfare	1.5	2.6	1.6	0.9	-
Other	12.8	9.0	12.3	7.6	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: "Other" also includes multiple sources of income for households who reported more than one major source.

2. Low- and Moderate-income Households

An important objective common to all three co-operative housing programs is the provision of housing to low- and moderate-income households. Although none of the programs enforces on-going income-testing on non-RGI residents, certain design features and statements of the program objectives provided guidance in defining "moderate income". For example, the FCHP defines it as households who are "unable to afford homeownership". This measure will be addressed later in this chapter.

Since 1985, the Section 61 Program has set as the upper income limit for new (ingoing) residents the Upper Limit of Statistics Canada's Second Quintile of Family Income By Province. The adoption of this guideline as an indicator of low-to-moderate income would therefore seem to logically capture the essence of the objective for the Section 61 program, and for comparative purposes, can also be applied to the other programs. It should be emphasised that this does not represent a measure of program performance with respect to enforcement of program requirements, since there is no requirement to discharge residents if their incomes exceed some level. Rather, it is simply an aggregate measure of whether the programs are serving low-to-moderate income households based on one single measure.

Table 6.8 shows the incidence of resident households who are at or below the second quintile of family income by province (1989) for each of the federal co-operative housing programs. Tabulated income data in Table 6.8 show that approximately 68 to 73 per cent of residents nationally in each of the three programs have household incomes at or below the upper limit of the second quintile. By province, there is considerable variation but, with only two exceptions (Section 95, Newfoundland; Section 61, Ontario), a majority of households are deemed to be moderate income on the basis of this measure. A trend seen across all three programs is that Alberta consistently shows a proportion of residents within the threshold above the national average.

A somewhat more relevant determination of the extent to which moderate income households are served by the co-operative housing programs can be made by reviewing the status of only non-RGI residents. Table 6.8 shows that 53.5 per cent of FCHP non-RGI residents are at or below this threshold for moderate income, while 60.4 per cent of Section 61 non-RGI households meet this criterion, and 52.5 per cent of Section 95 non-RGI residents are below this threshold.

An indicator on the extent to which the Section 95 co-operative housing program has served low- and moderate-income households was developed for The Section 56.1 Evaluation (1983). This indicator involves a determination of the percentage of co-operative households with incomes below the mean national income of all renter households. For the year 1981, The Section 56.1 Evaluation (1983) estimated that 54.2 per cent of Section 95 co-operative households had incomes below this national average. Data collected as part of the Survey of Co-operative Housing Residents shows that in 1989, 60.6 per cent of Section 95 residents had incomes below the mean national renter income. The corresponding finding for the FCHP is 53.9 per cent and for the Section 61 program it was 53.5 per cent.

TABLE 6.8
PERCENTAGE OF ALL CO-OPERATIVE HOUSEHOLDS BELOW THE UPPER LIMIT, SECOND QUINTILE, FAMILY INCOME, BY PROVINCE, 1989
(LOW AND MODERATE INCOME)

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Newfoundland	61.0	-	36.1	-
P.E.I.	73.3	-	54.2	-
Nova Scotia	52.0	74.0	71.0	-
New Brunswick	57.2	-	66.9	-
Québec	70.0	79.7	80.1	100.0
Ontario	73.9	31.2	64.0	79.5
Manitoba	88.1	-	71.8	-
Saskatchewan	70.0	92.6	69.7	-
Alberta	72.4	78.3	82.0	-
British Columbia	62.1	69.1	78.8	-
CANADA	68.7	70.4	73.4	81.1
RGI residents	97.4	80.4	88.6	95.8
Non-RGI residents	53.5	60.4	52.5	53.6

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

3. Low-Income Households

a. Core Need Income Thresholds

Core Need Income Thresholds (CNIT'S) are one indicator of whether the co-operative housing programs are serving low-income households. Because CNIT's are used in current social housing program operations as one criterion for determining a particular household's eligibility for social housing assistance, their application also lends itself well as an indicator of low income. CNIT's are derived annually by CMHC based on Average Markets Rents (AMR's) in each housing market and by applying an affordability threshold of 30 per cent of gross income to these AMR's. The result is a set of income thresholds for each market area in Canada which is sensitive to the size of the dwelling unit required (since there is a separate CNIT for different dwelling sizes).

Table 6.9 shows the percentage of co-operative households who are at or below the applicable Core Need Income Threshold.

The appropriate CNIT for 1989 was assigned to each household who completed a survey questionnaire based on the co-operative project's municipality and by application of the National Occupancy Standard (or Québec Occupancy Standard) to derive the appropriate bedroom size.

As seen in Table 6.9, over 40 per cent of co-operative housing residents in all three programs have household incomes at or below CNIT. The proportion ranges from 43.9 per cent in FCHP co-operatives to 50.9 per cent in Section 95 co-operatives. Considerably more variation in the proportion of residents below CNIT is seen regionally. For example, the proportion of low income residents in FCHP co-operatives ranges from 35.7 per cent in Saskatchewan to 61.7 per cent in Manitoba, while it ranges from 32.0 per cent in Newfoundland to 61.0 per cent in British Columbia for Section 95 co-operatives. For those provinces which have Section 61 co-operatives, the range of low income residents is between 37.6 per cent in Alberta to 70.5 per cent in Saskatchewan.

TABLE 6.9
PERCENTAGE OF CO-OPERATIVE HOUSEHOLDS BELOW CNIT
BY PROVINCE, 1989

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Newfoundland	58.3	-	32.0	-
P.E.I.	54.9	-	39.2	-
Nova Scotia	40.5	46.8	53.0	-
New Brunswick	42.3	-	51.8	-
Quebec	40.7	54.4	51.1	95.8
Ontario	44.9	40.3	45.0	54.5
Manitoba	61.7	-	48.8	-
Saskatchewan	35.7	70.5	38.1	-
Alberta	42.3	37.6	46.6	-
British Columbia	44.2	41.4	61.1	-
CANADA	43.9	44.9	50.9	57.8
RGI residents	88.8	60.0	71.7	78.0
Non-RGI residents	20.2	32.4	22.7	23.7

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Not surprisingly, co-operative housing residents who also identified themselves as paying occupancy charges geared to their incomes were much more likely to be low income (as measured against CNIT) than non-rent-geared-to-income residents. This distinction is somewhat more blurred in

Section 61 co-operatives, however, where "subsidy-surcharge" mechanisms are sometimes in place whereby higher-income earners who may pay an additional surcharge are technically RGI residents, and may have identified themselves as such.

For comparative purposes, the incidence of low-income households in Post-1985 Non-Profit co-operatives is also indicated in Table 6.9. Over 95 per cent of these residents in the fully-targeted Québec co-operatives were found to be low-income compared to 54.5 per cent in Ontario (these co-operatives are usually not fully-targeted).

The incidence of RGI residents among households who are below and above the Core Need Income Threshold are reported in Table 6.10. Overall, only 7.0 per cent of FCHP households whose incomes are above CNIT reported that they were paying occupancy charges on a "geared-to-income" basis. This compares to 70.1 per cent of residents who are below CNIT and reported paying geared-to-income occupancy charges.

Conversely, 33.0 per cent of Section 95 residents above CNIT, 31.6 per cent of Section 61 residents above CNIT, and 37.5 per cent of F/P Non-profit residents above CNIT in Ontario reported that they are RGI. These compare to the 80.9 per cent of Section 95 residents below CNIT, 59.1 per cent of Section 61 residents below CNIT and 86.1 per cent of F/P Non-profit residents below CNIT in Ontario who are RGI.

TABLE 6.10
NATIONAL INCIDENCE OF RGI RESIDENTS BY
WHETHER ABOVE OR BELOW CNIT

	PER CENT OF RESIDENTS WHO ARE RGI				
	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT ONTARIO	F/P NON-PROFIT QUÉBEC
Above CNIT	7.0	31.6	33.0	37.5	-
Below CNIT	70.1	59.1	80.9	86.1	96.3

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

b. Statistics Canada Low Income Cut-offs

An alternative measure of the extent to which low-income households are being served by the federal co-operative housing programs is Statistics Canada's Low Income Cut-offs. Statistics Canada publishes its Low Income Cut-offs (LICO) annually. These cut-offs are set at that level of household income where 58.5 per cent or more of income is spent on basic necessities (shelter, food and clothing). Different cut-offs are calculated according to family size and size of area of residence. In general, the cut-off rises as the size of area of residence increases and as family size increases. Statistics Canada estimated the incidence of all Canadian households falling below the cut-offs to be 10.5 per cent for all Canadian families and 33.1 per cent for all Canadian unattached individuals in 1988. Among renters in Canada in 1988, 23.9 per cent of families and 36.3 per cent of unattached individuals were below the cut-offs.

The corresponding incidence of co-operative households below the Low Income Cut-Offs is presented in Table 6.11. The national incidence for each of the three federal co-operative housing programs is about one-in-three, ranging from 32.1 per cent in the FCHP portfolio to 35.5 per cent in the Section 95 portfolio. In the F/P Non-profit co-operative portfolio, the incidence is somewhat higher at 45.3 per cent. In general, there is considerable interprovincial variation in the incidence of households falling below the cut-offs. In the FCHP, it ranges from 13.7 per cent in Saskatchewan to 43.5 per cent in Prince Edward Island. The incidence ranges from 23.5 per cent in Newfoundland to 43.0 per cent in Québec in the Section 95 portfolio, while in Section 61 co-operatives, it ranges from 21.7 per cent in Nova Scotia to 54.9 per cent in Québec. A very wide variation in the incidence is seen between RGI and non-RGI residents. The range among FCHP co-operative residents is greatest, from 12.4 per cent among non-RGI households to 72.5 per cent for RGI households.

TABLE 6.11
PERCENTAGE OF CO-OPERATIVE HOUSEHOLDS BELOW STATISTICS CANADA LOW INCOME CUTOFFS BY PROVINCE, 1989

	PER CENT			
	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Newfoundland	35.9	-	23.5	-
Prince Edward Island	43.5	-	29.1	-
Nova Scotia	18.7	21.7	38.2	-
New Brunswick	37.0	-	42.7	-
Québec	34.8	54.9	43.0	84.3
Ontario	32.5	22.1	26.6	41.9
Manitoba	38.0	-	37.3	-
Saskatchewan	13.7	42.3	29.6	-
Alberta	37.3	29.7	34.1	-
British Columbia	30.8	25.5	38.5	-
CANADA	32.1	32.3	35.5	45.3
RGI residents	72.5	44.8	50.3	62.7
Non-RGI residents	12.4	21.5	15.5	19.0

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

4. Income-mix

Evidence presented earlier in this chapter showed that at the portfolio level, all of the federal co-operative housing programs exhibit a mix of incomes which is generally similar to the income profile of all renter households in Canada. However, this finding does not in itself imply that the programs are achieving their objectives of providing income-mixed housing. In order to establish this, it is necessary to examine the mix of incomes within each housing co-operative. The methodological ability to determine the extent of income-mixing within co-operative projects is available as a result of the large sample sizes set by the design of the co-operative housing resident survey, the fact that all residents in the sample of co-operatives were surveyed, and the high response rates achieved (80 per cent).

The determination of income mix is, by its nature a methodologically arbitrary exercise. Therefore, three alternative definitions are presented in this section. The first method uses the number of RGI residents in a co-operative expressed as a proportion of all residents. A measure of zero on this measure implies that a co-operative has no residents whose occupancy charges are geared-to-income while 100 per cent implies that all residents are RGI. Table 6.12 shows the distribution of residents on this measure. It should be emphasised that all results presented in Table 6.12 apply only to co-operatives for which the number of survey responses is at least 10 and the project-level response rate is at least 50 per cent. This selection procedure results in the removal of 32 per cent of co-operative projects and 7 per cent of resident responses overall.

As seen in Table 6.12, 86.9 per cent of FCHP residents live in a co-operative in which between 20 and 49 per cent of residents are reported to be RGI. Sections 61 and 95 co-operatives, on the other hand, tend to show a much wider dispersion on this measure. Section 95 residents tend to be evenly distributed among co-operatives with between 20 and 59 per cent RGI and 30.3 per cent of residents live in co-operatives where more than 80 per cent of residents identified themselves as being RGI. Section 61 co-operatives also showed a similar result.

A second measure of income-mix adopts a similar approach to the first, but instead of calculating the percentage of RGI residents in each co-operative, the percentage of residents whose incomes are below CNIT are calculated. The central tendency using this measure is in the 40-49 per cent range for FCHP co-operatives (49.4 per cent of residents live in such a co-operative) and in the 30 to 39 per cent range for Section 61 co-operatives (49.6 per cent). Just over 60 per cent of Section 95 residents live in co-operatives in which 40 to 59 per cent of residents are below CNIT. Over 42 per cent of residents in F/P Non-profit co-operatives live in Ontario co-operatives with 30-39 per cent of residents below CNIT while all other F/P Non-profit residents in Ontario live in co-operatives with 60 to 80 per cent of residents below CNIT.

TABLE 6.12
PERCENTAGE OF HOUSEHOLDS LIVING IN INCOME-MIXED CO-OPERATIVES

	PER CENT				
		SECTION	SECTION	F/P NON-PROFIT	
	FCHP	61	95	ONTARIO	QUÉBEC
PER CENT OF CO-OPERATIVE RGI					
Less than 10 %	2.1	19.5	0.0	0.0	0.0
10 - 19	5.0	5.2	3.1	0.0	0.0
20 - 29	18.1	26.3	13.0	0.0	0.0
30 - 39	53.7	13.4	13.2	0.0	0.0
40 - 49	15.1	6.9	16.7	17.3	0.0
50 - 59	6.0	1.2	14.5	39.8	0.0
60 - 69	0.0	0.6	1.7	9.8	0.0
70 - 79	0.0	1.9	7.7	15.4	0.0
80 % or more	0.0	25.1	30.3	17.7	100.0
PER CENT OF CO-OPERATIVE BELOW CNIT					
Less than 10 %	0.2	0.0	1.6	0.0	0.0
10 - 19	3.6	6.0	0.7	0.0	0.0
20 - 29	6.4	8.0	9.2	0.0	0.0
30 - 39	17.7	49.6	7.0	42.1	0.0
40 - 49	49.4	13.2	31.7	0.0	0.0
50 - 59	13.0	9.6	28.4	0.0	0.0
60 - 69	7.2	6.3	6.4	40.2	0.0
70 - 79	1.6	6.4	8.4	17.7	16.0
80 % or more	0.9	0.8	6.5	0.0	84.0
THREE-WAY CNIT MEASURE					
Mixed	44.8	67.2	48.3	9.8	0.0
Non-mixed	55.2	32.8	51.7	90.2	100.0

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

The finding that over one-in-four residents in Sections 61 and 95 portfolios live in nearly "fully-RGI" co-operatives is surprising. Especially for the Section 95 program, rent-geared-to-income assistance appears to be often serving households with moderate incomes since few residents live in co-operatives where more than 80 per cent of residents are below CNIT. Section 95 co-operatives where more than 80 per cent of residents receive "geared-to-income" assistance are predominantly found in Alberta and British Columbia. This finding is largely confirmed using other lines of evidence. For example, 22.4 per cent of Section 95 co-operative manager/coordinators in British Columbia and 36.4 per cent in Alberta reported that over 80 per cent of their co-operative units were receiving "geared-to-income" assistance. Further, of the two-thirds of Section 95 co-operatives for which valid data exist in the PMSH (AGRSHAG) portfolio management system, 44.6 per cent of Section 95 co-operatives in British Columbia and 33.3 per cent in Alberta show more than 80 per cent of units being charged on a "geared-to-income" basis. However, given that few co-operatives have such high concentrations of low-income households, as also demonstrated in Table 6.12, it is concluded that some of this Section 95 "geared-to-income" assistance is not serving low-income households.

Finally, a type of "pass-fail" income-mix measure is presented as the third measure in Table 6.12. This measure requires that a minimum 20 per cent of residents in a co-operative must fall into each of three mutually exclusive income categories: below CNIT; between CNIT and 150 per cent of CNIT, and above 150 per cent of CNIT. Using this measure, 67.2 per cent of Section 61 co-operatives are categorised as "income-mixed" compared to 48.3 per cent of Section 95 co-operatives, 44.8 per cent of FCHP co-operatives and only 9.8 per cent of F/P Non-profit co-operatives in Ontario (weighted for the number of residents in each co-operative).

5. Other Socio-economic Characteristics

Table 6.13 presents profiles of the characteristics of co-operative housing resident households with respect to type of household, household size, age of head, education of head, whether a household member is native and whether a household member is disabled, and the length of residence in the co-operative by RGI status.

In general, FCHP co-operatives are seen to have a slightly higher proportion of single parent families and couples without children. The older co-operatives, particularly Section 61, shows a higher proportion of families with children. It is also apparent that FCHP co-operatives have a somewhat younger age profile of the household head than do the other programs.

The proportion of households with native members ranges from 2.8 per cent (non-RGI) and 2.9 per cent (RGI) in Section 61 co-operatives to 3.2 per cent (non-RGI) and 4.6 per cent (RGI) in FCHP co-operatives and 3.5 per cent (non-RGI) and 3.3 per cent (RGI) in Section 95 co-operatives. The corresponding incidence in F/P Non-profit co-operatives is 2.2 per cent (non-RGI) and 1.8 per cent (RGI).

In general, RGI households tend to be over-represented compared to non-RGI households in the youngest and oldest age of head categories, tend to be more likely to have a household member who is disabled and have less education. RGI households are also much more likely to consist of a single-parent household than non-RGI households or the general renter population.

TABLE 6.13
OTHER SOCIO-ECONOMIC CHARACTERISTICS OF CO-OPERATIVE HOUSING RESIDENTS BY RGI-STATUS

	ALL RENTER HOUSEHOLDS	FCHP PER CENT		SEC. 61 PER CENT		SEC. 95 PER CENT		F/P NON-PROFIT PER CENT	
		RGI	NON-RGI	RGI	NON-RGI	RGI	NON-RGI	RGI	NON-RGI
TYPE OF HOUSEHOLD[2]									
One person	40.4	22.4	22.1	21.6	16.8	25.5	16.1	8.1	13.1
Single parent	10.2	46.6	12.2	30.1	14.6	32.3	10.8	47.8	10.8
Couple - no children	17.8	7.4	24.5	11.5	13.6	9.5	17.9	5.8	26.0
Couple - with children	20.5	19.8	31.7	33.8	49.7	28.2	50.4	34.2	42.2
Two or more unrelated	11.1	2.2	4.1	0.3	1.5	0.7	1.8	0.8	2.1
Other		1.6	5.2	2.7	3.8	3.8	3.1	3.4	5.8
HOUSEHOLD SIZE[2]									
1 person	40.4	22.4	22.1	21.6	16.8	25.5	16.1	8.1	13.1
2 persons	29.8	35.8	40.0	30.2	28.2	29.2	30.3	29.6	38.7
3 persons	14.2	21.7	17.7	19.1	21.8	21.2	17.5	27.3	18.9
4 persons	9.9	11.7	14.5	13.0	22.8	15.9	23.4	25.8	15.1
5 persons	4.0	5.8	4.8	4.6	8.9	6.8	9.2	6.5	7.6
6 or more persons	1.7	2.6	1.1	11.5	1.6	1.4	3.5	2.8	6.6
AGE OF HEAD[3]									
Under 25 years	13.2	3.5	9.4	1.3	2.4	2.4	1.8	6.1	10.3
25 - 34 years	32.2	33.2	36.5	27.7	31.7	26.8	29.9	39.5	50.4
35 - 44 years	17.5	30.8	25.2	32.3	33.2	31.3	35.2	35.8	24.5
45 - 54 years	10.2	12.8	10.2	15.7	13.1	14.0	14.6	10.4	7.6
55 - 64 years	9.9	9.0	6.0	9.2	9.9	11.2	7.8	4.2	5.9
65 years and older	17.1	10.6	12.7	13.8	9.7	14.3	10.7	4.0	1.4
EDUCATION OF HEAD									
No formal schooling	N/A	2.9	1.2	1.4	0.9	3.0	1.2	2.7	0.2
Grade school	N/A	12.1	7.2	10.1	7.3	11.1	7.5	8.6	4.7
High school	N/A	40.2	33.1	37.8	41.8	39.2	41.4	39.1	27.4
Community college	N/A	18.7	21.8	16.5	24.0	20.3	21.6	21.3	35.6
University	N/A	13.4	27.1	23.5	18.3	15.9	21.3	15.7	20.8
Still attending school	N/A	8.5	5.2	5.8	4.4	6.0	2.8	10.4	7.4
Other	N/A	4.1	4.4	4.9	3.5	4.5	4.3	4.2	4.1
MEMBER OF HOUSEHOLD NATIVE	N/A	4.6	3.2	2.9	2.8	3.3	3.5	1.8	2.2
MEMBER OF HOUSEHOLD DISABLED									
Total	N/A	14.2	5.2	9.8	3.4	9.6	5.8	8.1	7.2
Special facilities exist	N/A	9.5	3.3	6.5	1.3	6.0	3.0	4.5	3.2
Special facilities non-existent	N/A	4.7	1.9	3.3	2.2	3.6	2.9	3.6	4.0
LENGTH OF RESIDENCE									
Less than 3 years	N/A	79.5	83.6	15.5	19.1	26.1	21.6	85.4	90.1
3 - 5 years	N/A	18.5	15.1	23.5	23.2	39.8	33.9	14.5	8.9
6 - 10 years	N/A	1.9	0.6	22.2	27.3	31.9	40.4	0.0	1.0
More than 10 years	N/A	0.1	0.8	38.9	30.4	2.3	4.1	0.1	0.0

SOURCE: [1] Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.
[2] 1988 HIFE Microdata, Statistics Canada.
[3] 1986 Census, Statistics Canada.

B. Provision of Adequate, Suitable and Affordable Housing

This section examines the extent to which co-operative housing residents are experiencing housing problems relating to adequacy, suitability and affordability, and concludes with estimates of the incidence of core housing need among co-operative housing residents.

1. Adequacy

The housing problem of adequacy relates to the physical condition of the dwelling unit in which a household resides. This issue is addressed in detail in Chapter X in which results of the co-operative housing physical condition survey are reported.

For the sole purpose of measuring core need among co-operative housing residents, resident survey responses on need-for-repair are used. Consistent with most other statistical estimates on the incidence of core need is the identification of self-assessed need for major repair as an indicator of an adequacy problem. Use of this indicator for adequacy therefore ensures maximum consistency with core need estimates for other comparative populations, but does not necessarily imply that the units are in fact inadequate.

In all, 9.7 per cent of FCHP residents nationally identified themselves as having an adequacy problem by virtue of the residents' own determination that their dwelling was in need of major repair. The comparable incidence in need of major repair in the other federal co-operative programs was 15.9 per cent in Section 61 co-operatives and 12.6 per cent in Section 95 co-operatives. It should be emphasised that not all of these households are necessarily in core need.

2. Suitability

Toward the determination of core housing need, suitability refers specifically to whether a dwelling unit contains a sufficient number of separate enclosed bedrooms for a given household based on the National Occupancy Standard. A suitability problem is said to exist if a household resides in a dwelling unit with fewer than this minimum number of bedrooms.

Estimates derived from the national co-operative housing survey (residents) show that 5.8 per cent of FCHP co-operative housing residents have a housing suitability problem, compared to 6.3 per cent in Section 61 co-operatives and 6.0 per cent in Section 95 co-operatives. It should be emphasised that all residents are included in this analysis, whether or not they are in core housing need and so in some cases, this represents voluntary under consumption.

3. Affordability

A voluntary or involuntary affordability problem is generally said to exist when a household is spending 30 per cent or more of total household income on basic shelter costs. Basic shelter costs, in turn, are defined as consisting of the cash occupancy charge (rent) and water, electricity, oil and gas (if paid separately from the cash occupancy charge). These data were gathered as part of the survey of co-operative housing residents.

Table 6.14 presents the distribution of basic shelter costs expressed as a proportion of total household income for RGI and non-RGI co-operative households. The first column in each pair shows the percentage of households whose shelter-cost-to-income ratio falls within the specific range, while the second column shows the cumulative percentage starting at zero.

Shelter-cost-to-income ratios presented in Table 6.14 are calculated using the basic monthly occupancy charge plus average monthly payments for water, electricity, oil and gas (if paid separately). Income is defined as the household's total income in the previous month.

It is observed in Table 6.14 that 51.1 per cent of RGI FCHP households and 61.8 per cent of non-RGI FCHP households are paying less than 30 per cent of their incomes on shelter. This implies that 48.9 per cent of RGI FCHP households and 38.2 per cent of non-RGI households are paying 30 per cent or more of income on shelter, and therefore have a voluntary or involuntary housing affordability problem. The incidence of housing affordability problems in the other co-operative housing programs are generally lower. In the Section 95 co-operative housing portfolio, 46.4 per cent of RGI residents and 23.8 per cent of non-RGI residents pay 30 per cent or more of income on shelter, while in Section 61 co-operatives, 29.1 per cent of RGI residents and 29.7 per cent of non-RGI residents pay 30 per cent or more of income on shelter. The corresponding finding in F/P Non-profit co-operatives in Ontario is 40.1 per cent of RGI and 35.5 per cent of non-RGI residents who pay 30 per cent or more of income on shelter, while in Québec 27.1 per cent of RGI residents pay 30 per cent or more.

These relative findings across the different portfolios are not especially surprising given the similarity in income distributions across the portfolios and given that the FCHP design requires that market rents be initially established. However, the overall incidence of affordability problems, particularly among RGI residents, is inconsistent with social housing program objectives of the federal government. Rent-to-income scales under the Rent Supplement Program (FCHP) Operating Agreements are set such that affordability problems should not exist among RGI residents since the rent-to-income scale is usually set at 25 per cent.

TABLE 6.14
DISTRIBUTION OF SHELTER-COST-TO-INCOME RATIOS OF CO-OPERATIVE HOUSING RESIDENTS, BY RGI-STATUS

	FCHP		SECTION 61		SECTION 95		F/P NON-PROFIT ONTARIO		F/P NON-PROFIT QUÉBEC	
	%	CUM. %	%	CUM. %	%	CUM. %	%	CUM. %	%	CUM. %
RGI RESIDENTS										
Under 15 %	3.2	3.2	9.5	9.5	3.3	3.3	3.9	3.9	0.0	0.0
15 - 19.9%	6.1	9.3	13.6	23.1	7.8	11.1	5.4	9.3	4.8	4.8
20 - 24.9%	13.3	22.5	25.1	48.2	14.8	25.9	21.7	31.0	23.9	28.8
25 - 29.9%	28.6	51.1	22.7	70.9	27.7	53.6	28.9	59.9	44.1	72.9
30 - 34.9%	20.6	71.8	13.3	84.1	16.9	70.5	15.3	75.2	15.1	88.0
35 - 39.9%	15.1	86.9	5.2	89.3	11.1	81.7	6.8	82.0	6.3	94.3
40 - 44.9%	4.2	91.1	3.8	93.1	6.8	88.5	8.0	90.0	4.3	98.6
45 - 49%	2.8	93.9	2.9	96.0	4.2	92.7	4.1	94.1	0.0	98.6
50 % or more	6.1	100.0	4.0	100.0	7.3	100.0	5.9	100.0	1.4	100.0
NON-RGI RESIDENTS										
Under 15 %	10.0	10.0	18.0	18.0	16.2	16.2	6.5	6.5	-	-
15 - 19.9%	16.4	26.4	20.9	38.9	20.8	37.1	20.9	27.4	-	-
20 - 24.9%	18.9	45.4	18.1	57.0	23.6	60.7	21.4	48.6	-	-
25 - 29.9%	16.4	61.8	13.3	70.3	15.6	76.2	15.8	64.5	-	-
30 - 34.9%	10.5	72.3	10.6	80.9	8.6	84.8	13.3	77.8	-	-
35 - 39.9%	8.5	80.7	5.7	86.6	5.4	90.2	3.8	81.6	-	-
40 - 44.9%	5.1	85.8	4.2	90.8	3.2	93.4	9.7	91.3	-	-
45 - 49%	4.1	89.9	2.4	93.2	1.3	94.7	4.5	95.8	-	-
50 % or more	10.1	100.0	6.8	100.0	5.3	100.0	4.2	100.0	-	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: Shelter-cost-to-income ratio is calculated using other monthly charges for water, electricity, oil and gas (if paid separately) and uses last month's income.

Household income and shelter cost data are provided directly by the residents on the survey questionnaire. For data such as income, households usually provide an estimate. For households with particularly low incomes, any deviation of this estimate from the true amount of income used to set occupancy charge can have a substantial effect on the shelter-cost-to-income ratio. In the aggregate, the fact that incomes and occupancy costs are estimated for RGI residents will result in a distribution of shelter-cost-to-income ratios which is centred around the true levels. Therefore, the 30 per cent threshold used to determine the existence of an affordability problem could be consistently exceeded without any systematic bias in the underlying data.

Similar to the effect of household estimates on income is the effect of estimated occupancy charges or random changes in income from one month to another. Households were asked to estimate monthly charges for water, electricity, oil and gas. However, given seasonal fluctuations in these charges, or the fact that some are billed bi-monthly, inaccuracies may result. As well, use of income in one month may not reflect true average monthly income for a given household.

Table 6.15 shows the percentages of co-operative housing residents who indicated that they pay an additional amount after their basic monthly occupancy charge for water, gas, oil or electricity. All of these additional amounts have been included in shelter costs for the purpose of determining the existence of affordability problems. As seen in Table 6.15, a majority of co-operative housing residents in each of the federal co-operative housing portfolios pay an additional charge for one or more utilities. These payments have clearly been a contributing factor toward the existence of affordability problems among so many RGI residents.

TABLE 6.15
INCIDENCE OF CO-OPERATIVE RESIDENTS REPORTING EXTRA PAYMENTS FOR WATER, GAS, OIL AND ELECTRICITY

	PER CENT			
	WATER	**GAS**	**OIL**	**ELECTRICITY**
FCHP				
RGI residents	8.1	12.0	1.2	67.3
Non-RGI residents	6.2	13.2	1.3	68.4
SECTION 61				
RGI residents	5.6	25.5	2.5	62.7
Non-RGI residents	3.2	30.0	3.0	75.6
SECTION 95				
RGI residents	7.5	25.1	1.6	81.8
Non-RGI residents	4.9	28.3	2.5	78.0
F/P NON-PROFIT (ONTARIO)				
RGI residents	13.0	39.1	2.2	71.3
Non-RGI residents	9.8	30.9	1.1	58.6
F/P NON-PROFIT (QUÉBEC)				
RGI residents	0.7	0.0	0.0	18.9
Non-RGI residents	-	-	-	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.
NOTE: "No extra payment" is imputed for non-response.

Table 6.16 therefore shows alternative ways of calculating the shelter-cost-to-income ratio taking either of these considerations into account.

TABLE 6.16
PERCENTAGE OF CO-OPERATIVE HOUSING RESIDENTS PAYING 30 PER CENT OR MORE OF INCOME ON SHELTER COSTS

METHOD OF CALCULATION	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT ONTARIO %	F/P NON-PROFIT QUÉBEC %
Basic occupancy charge plus electricity, water, gas and oil as a percentage of last month's income.					
RGI residents	48.9	29.1	46.4	40.1	27.1
Non-RGI residents	38.2	29.7	23.8	35.5	-
Basic occupancy charge plus electricity, water, gas and oil as a percentage of average monthly income in 1989.					
RGI residents	47.7	23.1	40.0	31.4	28.5
Non-RGI residents	28.4	17.2	15.4	20.5	-
Basic occupancy charge as a percentage of last month's income (excluding other costs if paid separately).					
RGI residents	25.2	19.8	27.0	16.5	20.2
Non-RGI residents	31.5	20.7	15.4	24.8	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.
NOTE: "No extra payment" is imputed for non-response.

As seen in Table 6.16, the percentages of co-operative households paying 30 per cent or more of income on shelter declines considerably if average monthly income in 1989 is used or if other shelter costs are excluded from the calculation of the ratio. However, these alternative measures are viewed as being less valid than the first measure. Use of the previous year's income with this year's shelter cost is obviously an inappropriate comparison, as is the exclusion of other basic shelter costs. The comparisons presented in Table 6.16 serve only to demonstrate the sensitivity of the measure.

4. The Incidence of Core Housing Need

The core housing need criterion is used as part of the federal government's policy to channel all social housing assistance to those households deemed to be most in need of government housing assistance. This need-for-housing assistance criterion involves a determination of:

a) whether a household currently has a housing problem; and if so,

b) whether the household is financially capable of solving the housing problem given the state of the housing market in their area.

The existence of a housing problem is defined to include the "adequacy" of the housing; "suitability" of the housing; and the "affordability" of the housing. Each of these housing-related problems has already been described. A determination of whether a household is financially able to solve the problem(s) is made by simply assessing whether or not household income exceeds the relevant Core Need Income Threshold.

Table 6.17 presents the findings on the incidence of core housing need among co-operative housing residents.

TABLE 6.17
INCIDENCE OF CORE NEED AMONG CO-OPERATIVE HOUSING RESIDENTS, BY PROVINCE AND RGI STATUS

	PER CENT			
	FCHP	**SECTION 61**	**SECTION 95**	**F/P NON-PROFIT**
RGI STATUS				
RGI residents	48.2	31.1	43.4	36.4
Non-RGI residents	16.2	21.2	14.7	15.9
PROVINCE				
Newfoundland	36.2	-	27.5	-
P.E.I.	46.0	-	22.3	-
Nova Scotia	27.3	31.7	37.8	-
New Brunswick	30.4	-	37.1	-
Québec	26.5	34.3	28.4	36.8
Ontario	21.9	21.1	25.4	26.9
Manitoba	39.3	-	35.6	-
Saskatchewan	15.8	58.5	24.0	-
Alberta	26.1	24.6	32.9	-
British Columbia	32.3	24.2	40.3	-
CANADA	27.0	25.9	31.1	27.5

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

By program, the incidence of core housing need is highest among Section 95 residents at 31.1 per cent, and lowest for Section 61 residents at 25.9 per cent. FCHP co-operative housing residents, at 27.0 per cent, are in a core need situation only slightly more often than Section 61 residents.

Substantial variations in the incidence of core need are seen provincially within each of the federal programs. In the FCHP, the highest incidence of core need is in Prince Edward Island (46.0 per cent) and Manitoba (39.3 per cent). Nova Scotia, New Brunswick and British Columbia show the highest incidence of core need in Section 95 co-operative housing, while Saskatchewan has the highest core need incidence in the Section 61 portfolio.

A very large difference in the incidence of core need is evident between RGI and non-RGI co-operative housing residents in all co-operative housing portfolios. In general, core need is much more prevalent among the RGI populations, where 48.2 per cent of FCHP RGI residents are in core need, compared to 43.4 per cent of Section 95 and 31.1 per cent of Section 61 RGI residents.

Substantial proportions of RGI residents in core need can be attributed to a variety of factors. The finding is particularly sensitive to the definition of income, possible mismatch between the shelter components, and especially the fact that all basic cash shelter costs are included in the indicator developed for this analysis. This issue was more fully explored in the previous section on affordability problems.

C. Provision of Security of Tenure

1. Resident Perceptions

The primary objective of the Federal Co-operative Housing Program is "to provide security of tenure to moderate income households unable to afford homeownership". The concept of security of tenure has been discussed in Chapters IV and V. This section examines the extent to which the FCHP has provided security of tenure, and compares these results for the Sections 61 and 95 programs as well.

All co-operative housing residents included in the national survey were asked how likely they thought it was that they would have to move within the next year because of an inability to afford their current housing. This was presented to survey respondents as being a result of either a loss of income or increases in housing costs. Table 6.18 presents the tabulated responses of co-operative housing residents by program and by RGI-status.

As seen in Table 6.18, a minority of residents believe it likely that they will have to move in the near future due to affordability problems. In particular, 12.8 per cent of FCHP residents foresee this as being at least "somewhat likely" occurrence and only 8.9 per cent thought it "very likely". Non-RGI residents were slightly more likely to view this as "somewhat likely" than RGI residents.

Residents of Sections 61 and 95 co-operative housing programs were significantly more likely to perceive a greater security of tenure based on affordability, and response profiles for these two programs were nearly identical. Only 12.5 per cent of RGI and 10.1 per cent of non-RGI Section 95 residents and 14.6 per cent of Section 61 RGI residents and 8.1 per cent of non-RGI residents thought that it was either very likely or somewhat likely that they would have to move within the next year as a result of the loss of affordability. Similarly, residents of F/P Non-profit co-operatives in Ontario were comparatively less likely to express any problems. Only 13.5 per cent of residents in these co-operatives thought this was very likely or somewhat likely (9.0 per cent of RGI residents and 16.8 per cent of non-RGI residents). However, a relatively high proportion of F/P Non-profit co-operative residents in Québec (27.4 per cent) thought it was very likely or somewhat likely.

In order to establish a comparative benchmark for these results, the same question was asked of a representative sample of households across Canada as part of the FOCUS CANADA omnibus survey. This survey was administered in March 1990, at the same time that the co-operative housing resident survey was in the field. The coincidental timing of these two surveys ensures that differences cannot be attributable to a different economic mood or other such circumstances.

The primary reason for developing an indicator of security of tenure based on a perception or expectation, rather than on actual mobility is the lack of data on co-operative housing residents who have moved out. Co-operative residents faced with a security of tenure problem would have moved out. On the other hand, renter households faced with a security of tenure problem in, say, the past year would still likely be in the rental market. Such a comparison of actual security of tenure problems would therefore be invalid. Instead, this section compares households' perceptions of expected security of tenure over the next year.

These results are also presented in Table 6.18 for homeowners, renters and combined tenures. Not surprisingly, homeowners tend to show a higher level of perceived security of tenure based on affordability than do co-operative housing residents and renters in the private rental market. However, the key comparison is between the perceived security of tenure of FCHP residents and renters in the private rental market. Table 6.18 shows that there is virtually no difference between the two groups with respect to the proportion who view it to be either very likely or somewhat likely that a lack of affordability will force them to move within the next year.

Furthermore, private market renters are much more likely to view this eventuality as being "not at all likely" (59 per cent) than are FCHP residents (38 per cent).

These findings suggest that security of tenure based on affordability considerations is not viewed as a serious problem by renters in the private housing market. Although the FCHP does not appear to perform better than the private rental market in this regard, the older programs (Sections 61 and 95) do appear to offer more security of tenure to occupants. Since the vast majority of FCHP residents have resided in their co-operatives for less than three years, the lack of familiarity with co-operative housing may play a role. On the other hand, the fact that initial occupancy charges are higher in the FCHP and that mortgage payments are indexed to inflation may also be factors in lowering the perceived security of tenure of FCHP co-operative residents compared to the other programs.

TABLE 6.18
CO-OPERATIVE HOUSING RESIDENT PERCEPTION OF SECURITY OF TENURE BASED ON AFFORDABILITY

	PER CENT			
	VERY LIKELY	SOMEWHAT LIKELY	NOT VERY LIKELY	NOT AT ALL LIKELY
CO-OPERATIVE RESIDENTS				
"How likely do you think it is that you will have to move out of this co-operative within the next year because of a loss of income or increases in housing costs?"				
FCHP				
RGI residents	9.0	9.5	42.6	38.9
Non-RGI residents	8.9	14.5	38.9	37.7
TOTAL	8.9	12.8	40.0	38.3
SECTION 61				
RGI residents	3.3	11.3	33.5	51.9
Non-RGI residents	1.9	6.2	42.5	49.4
TOTAL	2.4	8.2	39.4	50.0
SECTION 95				
RGI residents	4.3	8.2	40.3	47.2
Non-RGI residents	2.8	7.3	38.1	51.8
TOTAL	3.7	7.8	39.2	49.2
ALL FEDERAL CO-OPERATIVE HOUSEHOLDS	4.2	8.5	39.4	47.9
F/P NON-PROFIT (ONTARIO)				
RGI residents	2.2	6.8	43.5	47.5
Non-RGI residents	11.5	5.3	35.0	48.2
TOTAL	5.7	7.8	41.7	44.8
F/P NON-PROFIT (QUÉBEC)				
RGI residents	19.1	8.3	28.2	44.5
Non-RGI residents	-	-	-	-
TOTAL	19.1	8.3	28.2	44.5
GENERAL POPULATION				
"How likely do you think it is that you will have to move out of your home within the next year because of loss of income or increases in housing costs?"				
Owners	3	4	15	77
Renters	11	10	20	59
ALL	5	6	16	71

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990 and The Focus Canada Report, 1990-2, Environics.

Given the importance of the security of tenure issue as it pertains to the FCHP co-operative housing program's achievement of objectives, other lines of evidence were further explored.

Table 6.19 shows the percentage of co-operative housing resident households who claim to have experienced a large decrease in income since living in the co-operative, such that they could no longer afford their usual occupancy charge.

Overall, 22.7 per cent of RGI residents and 18.9 per cent of non-RGI households in FCHP co-operatives indicate that they have experienced such a decline in income. The corresponding incidences in F/P Non-profit co-operatives in Ontario are only slightly higher, while residents in Sections 61 and 95 co-operatives were much more likely to have experienced a large decline in income. These higher proportions in Sections 61 and 95 co-operatives are clearly directly related to the longer residency periods of those residents as presented earlier in this chapter.

The second part of Table 6.19 shows the proportions of those residents who had reported a large decrease in income and who also received financial assistance from the co-operative. Among both RGI and non-RGI resident households, those in FCHP co-operatives were substantially less likely than residents of the other federal co-operative housing programs to have received temporary assistance. Fifty-nine per cent of RGI households and only 30.1 per cent of non-RGI households reported receiving such assistance compared to 76.4 per cent of RGI and 71.4 per cent of non-RGI households in Section 95 co-operatives and 75.7 per cent of RGI and 54.6 per cent of non-RGI households in Section 61 co-operatives. The corresponding incidence in F/P Non-profit co-operatives in Ontario is 86.3 per cent for RGI households and 21.8 per cent for non-RGI households, and 46.2 per cent for F/P Non-profit co-operative residents in Québec.

Two points deserve mention with respect to Table 6.19. First, households who may have experienced such a major decrease in income that they truly could not afford to remain in the co-operative, and not receiving assistance, may have left. These households are not included in this survey since they would have left the co-operative. Second, it is clear from these figures that the availability of such assistance is directly related to the type of program funding mechanisms in place. The FCHP offers much less flexibility to provide assistance since such assistance must generally come from strictly income-tested Rent Supplement assistance for RGI households or from the Security of Tenure Fund for non-RGI households. Sections 61 and 95 program funding mechanisms are generally "richer" and may offer the potential for making more temporary assistance available. Notwithstanding these considerations, however, it would appear that the previous federal co-operative housing programs are more successful at providing security of tenure than the FCHP program.

TABLE 6.19
PERCENTAGE OF CO-OPERATIVE HOUSEHOLDS EXPERIENCING LARGE DECREASES IN INCOME AND WHETHER CO-OPERATIVE PROVIDED TEMPORARY FINANCIAL ASSISTANCE

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT ONTARIO %	F/P NON-PROFIT QUÉBEC %
Percentage of households who, since living in the co-operative, have experienced a large decrease in income so that they could no longer afford their usual occupancy charge.					
RGI residents	22.7	31.6	38.0	26.5	17.5
Non-RGI residents	18.9	29.6	31.5	23.0	-
Of those households who experienced the decline in income, percentage of households who received temporary financial assistance from the co-operative.					
RGI residents	59.0	75.7	76.4	86.3	46.2
Non-RGI residents	30.1	54.6	71.4	21.8	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

2. Moving Intentions

Table 6.20 shows co-operative residents' reasons for leaving their previous accommodation to move into a housing co-operative. In general, the desire to live in a co-operative was the most frequently mentioned reason for leaving. Among RGI residents, the incidence ranges from 70.8 per cent of FCHP residents to 78.4 per cent of Section 61 residents. Non-RGI residents were generally less likely to list this as a reason, ranging from 56.4 per cent (FCHP) to 74.7 per cent (Section 95).

Other reasons which were consistently mentioned by one-quarter or more of residents include the poor state of repair of their previous accommodation, that their previous unit was not large enough, vandalism/crime, the inconvenient location of their previous accommodation, to establish their own household, and that their previous accommodation was too expensive. Very few residents stated that they had been evicted from their previous housing (4 per cent or less of non-RGI residents).

TABLE 6.20
REASONS FOR LEAVING PREVIOUS ACCOMMODATION

	PER CENT SOMEWHAT OR VERY IMPORTANT									
							F/P NON-PROFIT			
	FCHP		SECTION 61		SECTION 95		ONTARIO		QUÉBEC	
	RGI	NON-RGI	RGI	NON-RGI	RGI	NON-RGI	RGI	NON-RGI	RGI	NON-RGI
Desire to live in a co-op	70.8	56.4	78.4	73.3	75.6	74.7	72.9	66.2	85.4	-
Poor state of repair of previous accommodation	47.1	36.9	38.0	32.5	35.8	34.3	57.3	44.0	53.5	-
Previous unit too large	8.3	8.8	6.4	6.9	6.1	6.6	8.2	5.5	20.7	-
Previous unit too small	46.0	35.9	52.7	41.6	42.1	42.5	53.7	49.3	44.4	-
Previous accommodation too expensive	65.6	44.4	71.5	62.4	71.8	61.2	67.4	59.7	78.2	-
Vandalism/crime	33.6	23.6	31.1	24.1	31.3	24.4	46.0	37.2	19.8	-
Inconvenient location	31.5	25.9	26.3	28.5	30.4	24.5	25.4	33.3	42.1	-
Evicted	6.6	2.6	4.3	4.0	4.7	3.4	6.4	3.6	3.3	-
To establish own household	41.1	33.8	52.5	33.3	41.9	34.8	53.3	49.5	7.1	-
Sold home for capital gain	4.5	7.3	1.9	2.7	2.8	3.6	1.2	5.1	2.0	-
Disability	11.9	5.1	6.3	2.0	7.5	4.7	7.9	4.5	7.7	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: A response of "not important" is imputed from "not applicable".

Table 6.21 provides the results on a similar indicator derived from the Survey of Co-operative Housing Managers/Coordinators. Managers/coordinators were asked to rate the importance of a number of reasons for residents choosing to move into co-operative housing. The one reason most frequently identified as being very important is "to have housing that is more affordable". This was rated as very important by 80 per cent or more of managers/coordinators. In general, managers/coordinators believe that co-operative housing is viewed by residents as a long-term housing option.

TABLE 6.21
REASONS FOR PEOPLE CHOOSING TO MOVE INTO CO-OPERATIVE HOUSING

	FCHP		SECTION 61		SECTION 95		F/P NON-PROFIT	
	IMPORTANT		IMPORTANT		IMPORTANT		IMPORTANT	
	SOMEWHAT	VERY	SOMEWHAT	VERY	SOMEWHAT	VERY	SOMEWHAT	VERY
To have housing that is more affordable	18.9	79.7	8.3	90.7	5.8	93.7	3.0	94.1
More control over one's housing	22.0	75.8	23.6	73.7	17.5	80.4	39.3	54.1
To have variety of predictable options	45.8	23.9	40.8	27.5	48.0	27.8	47.4	37.4
To have a short-term housing option	43.9	10.7	41.2	7.0	44.1	11.5	44.7	14.6
To choose quality living environment	19.6	76.3	28.9	65.4	23.6	72.3	25.2	74.8
Desire to live in a co-op community	43.3	43.7	44.8	44.0	41.8	46.9	51.2	45.1

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.
NOTE: Percentage includes those who responded "don't know".

Table 6.22 presents the moving plans of co-operative housing residents. As seen in Table 6.22, a majority of residents have no definite plans to move out of their projects, and RGI residents are most likely to express their intention to remain in the co-operative. Among non-RGI residents, those in FCHP co-operatives and F/P Non-profit co-operatives (Ontario) are more likely to express an intention to move out. Over 13 per cent of non-RGI residents plan to leave within one year and nearly one-third of non-RGI FCHP residents plan to move out within five years. Conversely, only 18.6 per cent of non-RGI residents in Section 61 projects and 18.8 per cent of non-RGI residents in Section 95 projects plan to move out within five years.

TABLE 6.22
RESIDENT EXPECTATIONS OF WHETHER AND WHEN THEY PLAN TO MOVE OUT OF THE CO-OPERATIVE

	PER CENT					
	LESS THAN 1 YEAR	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	DON'T KNOW	NO DEFINITE PLANS TO MOVE OUT[1]
FCHP						
RGI	5.9	5.7	5.6	1.3	5.9	75.6
Non-RGI	13.5	10.4	8.3	1.9	8.4	57.5
SECTION 61						
RGI	2.0	4.1	6.2	4.6	6.5	76.7
Non-RGI	5.0	5.1	8.5	4.6	8.7	68.2
SECTION 95						
RGI	3.8	4.1	6.1	3.1	5.5	77.5
Non-RGI	5.7	4.6	8.5	4.0	7.5	69.8
F/P NON-PROFIT (ONTARIO)						
RGI	4.3	5.6	5.5	3.9	8.5	72.2
Non-RGI	6.0	8.8	8.8	5.7	11.0	59.8
F/P NON-PROFIT (QUÉBEC)						
RGI	7.7	3.6	0.6	0.6	2.2	85.2
Non-RGI	-	-	-	-	-	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Includes those responding "don't know" to whether or not they will move out.

The Co-operative Housing Residents Survey also gathered evidence on residents' moving intentions and reasons for expecting to move out of the co-operative. Table 6.23 provides insights into reasons residents provided for expecting to move out of the co-operative in the future. The incidence of intentions mentions in Table 6.23 is expressed as a proportion of all residents, not only those who expected to move out.

As seen in Table 6.23, by far the most frequent reason for expecting to move out among all residents was to buy their own home. More than one-fifth of all non-RGI households (except in Section 61 where the incidence was 16.9 per cent) mentioned this while about one in ten RGI households expected to move for this reason. The two other most common reasons for expecting to move were that they would need a larger unit and,

TABLE 6.23
CO-OPERATIVE HOUSEHOLDS REASONS FOR EXPECTING TO MOVE OUT OF THE CO-OPERATIVE

	AS A PER CENT OF ALL CO-OPERATIVE HOUSEHOLDS				
		SECTION	SECTION	F/P NON-PROFIT	
	FCHP	61	95	ONTARIO	QUÉBEC
Need larger unit					
RGI residents	7.4	6.6	6.6	7.8	2.9
Non-RGI resident	14.5	9.1	8.3	6.8	-
Need smaller unit					
RGI residents	0.6	0.8	0.9	1.2	0.0
Non-RGI residents	1.1	1.4	0.7	0.0	-
Dissatisfied with co-operative management					
RGI residents	6.7	2.4	5.2	8.1	5.0
Non-RGI residents	7.3	4.0	4.4	12.5	-
Dissatisfied with physical condition					
RGI residents	5.0	2.0	2.8	2.2	0.0
Non-RGI residents	4.3	4.2	2.6	5.2	-
Prefer rental housing					
RGI residents	2.4	0.4	1.5	2.7	1.4
Non-RGI residents	2.6	1.1	0.5	3.7	-
Don't fit in with other co-operative residents					
RGI residents	3.2	3.1	2.7	3.9	5.8
Non-RGI residents	3.4	2.0	2.1	4.7	-
Crime or vandalism					
RGI residents	3.3	0.7	1.3	2.3	2.3
Non-RGI residents	4.7	0.9	1.5	3.0	-
Housing costs too high					
RGI residents	2.6	1.6	2.6	5.9	3.5
Non-RGI residents	10.3	1.5	1.9	8.1	-
To buy a home					
RGI residents	8.4	12.1	10.9	14.5	0.7
Non-RGI residents	22.5	16.9	20.2	24.9	-
Employment					
RGI residents	4.8	2.7	4.5	5.7	0.6
Non-RGI residents	9.6	5.1	4.6	6.0	-
Inconvenient location					
RGI residents	3.5	1.7	2.0	3.0	2.9
Non-RGI residents	4.4	0.9	2.0	4.0	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

a frequent reason among non-RGI FCHP residents only, because they thought housing costs were too high. In fact 10.3 per cent of all non-RGI FCHP residents expected to move because housing costs would be too great. This compares to 1.9 per cent for Section 95, 1.5 per cent for Section 61 and 8.1 per cent for F/P Non-profit co-operative (Ontario) non-RGI residents. Dissatisfaction with co-operative management in F/P Non-profit co-operative projects in Ontario was also cited by 12.5 per cent of non-RGI households as a factor.

D. Affordability of Homeownership

1. Perceptive Evidence

The analysis which follows in this section examines the affordability of homeownership for FCHP non-RGI residents only. It is this target of moderate income households who are expected to be served by the Federal Co-operative Housing Program. Table 6.24 presents the perceptions of FCHP non-RGI residents on the extent to which they believe they can or cannot afford homeownership. Three indicators are developed: ability to afford monthly payments of PIT; ability to afford a 10 per cent down payment; and a global estimate of overall affordability (presumably taking both factors into account). Survey respondents who stated that they do not know whether they can afford homeownership or either aspect of it are not factored out of the analysis since this, in itself, is a finding. Households who are unsure of their financial ability to afford homeownership are likely relatively close (on either side) to the threshold and so these households are presented as a separate tabulation.

It is seen in Table 6.24 that a majority of FCHP residents have assessed themselves as being unable to afford homeownership. With respect to overall homeownership affordability, 66.0 per cent of FCHP non-RGI co-operative housing residents indicated an inability to afford homeownership. The other 34 per cent believe they can afford homeownership (20.1 per cent) or did not know (13.9 per cent). The 66.0 per cent of FCHP non-RGI residents who fall within the group unable to afford homeownership is lower than the proportions of non-RGI residents in the other programs, with 75.5 per cent in Section 95, 79.3 per cent in Section 61 and 69.9 per cent in F/P Non-profit co-operatives in Ontario.

The proportion of FCHP non-RGI residents who assessed themselves as being unable to afford homeownership varies considerably by province. In two provinces (Manitoba and Saskatchewan), a minority of residents believe they cannot afford homeownership (42.2 and 37.9 per cent respectively). Further, only slightly more than one-half of non-RGI residents in New Brunswick, Québec, Nova Scotia, Prince Edward Island and Alberta were able to rule out their affordability of homeownership. The highest incidence in the unaffordability of homeownership objective is seen in British Columbia at 86.4

per cent, Newfoundland at 84.3 per cent and Ontario at 71.3 per cent.

TABLE 6.24
PERCEPTIONS OF NON-RGI FCHP CO-OPERATIVE HOUSING RESIDENTS ON WHETHER THEY CAN AFFORD HOMEOWNERSHIP[1]

	AFFORDABILITY OF								
	TEN PER CENT DOWN PAYMENT			MONTHLY P.I.T. PAYMENTS			OVERALL AFFORDABILITY		
	YES	DK	NO	YES	DK	NO	YES	DK	NO
FCHP	29.0	12.8	58.1	31.8	15.7	52.5	20.1	13.9	66.0
PROVINCE									
Newfoundland	30.7	0.0	69.3	30.7	15.7	53.6	15.7	0.0	84.3
P.E.I.	17.3	11.7	71.0	28.5	17.9	53.6	27.0	16.4	56.6
Nova Scotia	35.7	8.7	55.7	39.6	14.3	46.1	30.8	13.2	56.0
New Brunswick	30.1	5.0	65.0	42.8	13.4	43.8	35.0	12.6	52.4
Québec	36.1	23.1	40.8	31.5	24.4	44.1	24.4	21.9	53.7
Ontario	23.9	9.7	66.4	32.9	13.4	53.7	16.4	12.3	71.3
Manitoba	40.3	27.6	32.2	30.4	26.4	43.2	27.7	30.1	42.2
Saskatchewan	56.6	15.7	27.7	49.7	18.0	32.4	44.1	18.1	37.9
Alberta	24.9	10.2	64.9	41.0	16.1	42.9	30.3	12.0	57.7
B.C.	21.8	4.8	73.3	24.1	6.6	69.3	9.3	4.3	86.4
SECTION 61	18.8	11.5	69.8	19.4	10.3	70.3	11.2	9.5	79.3
SECTION 95	22.1	12.5	65.5	22.4	14.0	63.5	12.9	11.6	75.5
F/P NON-PROFIT (ONTARIO)	14.6	10.3	75.1	26.5	13.1	60.4	16.7	13.4	69.9
F/P NON-PROFIT (QUÉBEC)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Includes non-RGI residents only.

Co-operative housing residents were also asked whether they could afford the monthly payments of P.I.T. and whether they could afford a 10 per cent down payment on a modest home. These indicators provide a somewhat more revealing understanding of the homeownership affordability issue for moderate income co-operative housing residents. As seen in Table 6.24, a slight majority of FCHP residents do not believe that they can afford a 10 per cent downpayment (52.5 per cent) or the monthly payments of P.I.T. (52.5 per cent). Consistent with the finding for overall affordability, FCHP non-RGI residents are significantly more likely to be able to afford homeownership with respect to both down payment and monthly P.I.T. payments than residents of other programs.

2. NHA Market-based Indicators

As a key part of the analysis of clients served under the FCHP, this section uses market-based indicators to determine the extent to which co-operative housing residents cannot afford homeownership. Data to supplement the survey of co-operative housing residents is drawn from administrative data on homes purchased in 1989 in Canada with mortgages insured under the National Housing act. The data provide a highly detailed geographic breakdown on house prices which recognises the substantial variations across specific markets. In this analysis, the Census Metropolitan Area (CMA) and Census Agglomeration are treated as distinct housing markets.

Other advantages of using NHA house price data include the ability to define a suitable type of dwelling for each household (based on the National Occupancy Standard) and the fact that all homes insured under the NHA must meet minimum property standards (and therefore can be assumed to be "adequate"). Finally, since homes insured under the NHA are usually starter homes, the data base provides indicators of modest house prices. In fact, a survey conducted by Underwriting Division in 1989 showed 61 per cent of NHA-insured homes to be a first home.

The methodology in this analysis is analogous to the calculation of Core Need Income Thresholds. Instead of basing these calculations on average market rents, they are based on market house prices, in which a monthly payment for P.I.T. is first determined based on bedrooms and market area.

One assumption deserving of mention relates to the loan-to-value ratio. Implicit in the assumption of a 90 per cent L/V ratio is that the co-operative housing resident can afford the 10 per cent downpayment. The setting of the L/V ratio involves a trade-off in the sense that asset-rich but lower-income residents can afford a large down payment but not a low one. Conversely, asset-poor, higher income residents can afford only the low downpayment plan. Complicating this is the question of what assets should be considered as sufficiently liquid or "unnecessary" for use as a downpayment. Should a second car be sold for downpayment funds, or should a first car be sold? Should retirement savings or other investments be directed to a downpayment before a household is deemed to be unable to afford homeownership? Some have argued that the fact that a particular household can afford the monthly P.I.T. payments on a high-ratio mortgage implies that the financial resources are available to that household to accumulate a minimal downpayment sufficiently easily that the downpayment affordability question is not relevant.

The method used to determine the extent to which co-operative housing residents cannot afford homeownership was developed in consultation with CMHC's Market Analysis Centre (MAC). The indicator is similar, but not identical, to the one developed by MAC. While the affordability threshold, house price data sources and mortgage financing assumptions are generally consistent, the evaluation methodology's adoption of the National Occupancy Standard to select a suitable house size represents one deviation from MAC's indicator. This innovation is possible as a result of the detailed data collected from co-operative housing residents.

Table 6.25 presents national estimates of the incidence of non-RGI co-operative housing residents who cannot afford homeownership based on NHA house price data. It is estimated that 53.6 per cent of FCHP residents in urban areas are unable to afford homeownership based on the monthly payments of P.I.T. plus a mortgage insurance premium not exceeding 30 per cent of income. Using the same indicator, Table 6.25 also shows that 70.5 per cent of Section 95 residents, 76.4 per cent of Section 61 residents and 83.5 per cent of F/P Non-profit co-operative housing residents (in Ontario) cannot afford homeownership. These findings are based on a 12 per cent mortgage interest rate and are fairly sensitive to variations in this rate of interest.

These findings display a reasonably close resemblance to the findings of the previous section on residents' perceptions of their overall affordability of homeownership. In addition, they appear to confirm that a majority of FCHP residents are unable to afford homeownership.

TABLE 6.25
NATIONAL INCIDENCE OF CO-OPERATIVE HOUSING RESIDENTS WHO CANNOT AFFORD MONTHLY P.I.T. PAYMENTS FOR HOMEOWNERSHIP (NON-RGI RESIDENTS ONLY)

	MORTGAGE INTEREST RATE		
	10 %	12 %	14 %
FCHP	43.9	53.6	63.9
Section 61	67.2	76.4	83.0
Section 95	60.0	70.5	77.1
F/P Non-profit (Ontario)	76.0	83.5	93.5
F/P Non-profit (Québec)	N/A	N/A	N/A

KEY ASSUMPTIONS:

1. Suitable bedroom count determined by National Occupancy Standard.
2. House price based on Median NHA Price by Bedroom Count by CMA/CA for Each Resident, 1989.
3. Estimated property tax derived from Royal Lepage Survey, 1989.
4. Mortgage terms: 90 per cent L/V; 25-year amortisation.
5. Threshold GDS= 30 per cent.
6. Excludes residents in small urban and rural areas.
7. Price includes property tax and mortgage insurance premium.

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990; Underwriting Program System (UPS) file, CMHC, 1989; and Royal Lepage Survey of House Prices, 1989.

E. Summary

This chapter presented key resident survey findings which relate to the achievement of program objectives under the federal co-operative housing programs. In general, residents of co-operative housing have income profiles which are similar to the general population of Canadian renter households. Across the three programs, mean annual incomes are similar, ranging from $25,343 in Section 95 co-operatives to $27,670 in Section 61 co-operatives. Evidence was found to support the existence of an "income gap" in the FCHP portfolio whereby the middle of the income distribution was lower than that found in the other programs and in the general population. This is likely a result of the market rents charged to non-Rent Supplement co-operative housing residents. In addition, a majority of residents across all federal co-operative housing programs live in projects which are income-mixed.

A review of the incomes of non-RGI residents across all federal co-operative housing programs showed that only a slight majority of these residents are in the low- to moderate-income category. The national incidence of non-RGI residents at or below the Upper Limit, Second Quintile of Family Income by province was 53.5 per cent in FCHP co-operatives, 52.5 per cent in Section 95 co-operatives, and 60.4 per cent in Section 61 co-operatives.

An examination of the incidence of core housing need in the federal co-operative housing programs shows that between 25.8 per cent in Section 61 co-operatives and 31.2 per cent of residents in Section 95 co-operatives are in core need. Across all programs, the incidence of core need is overwhelmingly higher among residents whose occupancy charges are geared to their incomes. For example, 48.2 per cent of FCHP Rent Supplement residents were estimated to be in core need, compared to only 16.0 per cent of the other FCHP residents paying market rents. This is clearly inconsistent with the social housing objectives of Rent Supplement and is seen to be partly a result of the extra housing charges faced by residents.

The evaluation has uncovered limited evidence to support the view that co-operative housing is providing substantially more security of tenure to residents than is available in the private rental market. A comparison of the perceived level of security of tenure with respect to affordability between co-operative housing residents and the general population of renters showed little difference.

In general, a majority of non-Rent Supplement residents in Federal Co-operative Housing Program projects are unable to afford homeownership based on their self-assessed judgements. Based on NHA market prices, only slightly more than one-half of non-RGI residents are estimated to be unable to afford to purchase a modest home in their municipality. This would indicate that the group of moderate-income households who are unable to afford homeownership is only partly being served.

VII BENEFITS OF CO-OPERATIVE HOUSING

This chapter extends the previous one on co-operative housing residents to look at the additional benefits of co-operative housing beyond those identified as part of the explicit program objectives. A number of these benefits were identified in Chapter IV on program rationale, and this chapter examines the evidence related to the achievement of these benefits. Most of this evidence is derived from the survey of co-operative housing residents and from the co-operative housing case studies undertaken as part of the evaluation.

A. Resident Satisfaction

This section examines the level of satisfaction co-operative housing residents have with their housing. Satisfaction is analysed in several ways. First, tabulations of absolute levels of satisfaction provide an informative starting point to the development of satisfaction indicators. Second, a comparison of the satisfaction of different aspects of their housing and living environments can provide some useful insight into the strong and weak aspects of co-operative housing in terms of resident satisfaction. Finally, comparisons of these indicators for co-operative housing residents with the same indicators for residents of other social or market housing can provide additional evidence on the benefits of co-operative housing.

Table 7.1 presents indicators on the degree of satisfaction co-operative residents have with different aspects of their housing and living environments. In absolute terms, it is observed that residents report a high degree of satisfaction with most areas of their housing. With respect to most of the indicators assessed, and consistent across co-operative housing programs, over 80 per cent of residents indicated that they are satisfied (either somewhat satisfied or very satisfied). In general terms, satisfied residents are fairly evenly divided between being somewhat satisfied and very satisfied.

A finding which is consistent across virtually all aspects of housing satisfaction is that FCHP residents are less satisfied than residents in other federal co-operative housing programs. Although the differences are usually not very large, they do persist across nearly all indicators. Differences between Section 61 and 95 residents with respect to housing satisfaction appear to vary by measure and are not very large.

TABLE 7.1
CO-OPERATIVE HOUSING RESIDENTS' SATISFACTION[1] WITH VARIOUS ASPECTS OF THEIR HOUSING

	PER CENT SATISFIED		
SATISFACTION WITH:	**RGI RESIDENTS**	**NON-RGI RESIDENTS**	**PUBLIC HOUSING**
FCHP			
Inside of home	85.6	86.6	86.6
Co-operative buildings	86.3	86.1	87.9
Grounds	81.0	85.7	85.2
Nearby area/community	89.0	88.1	91.2
Way co-operative is managed	76.3	76.0	80.6
Your role in running co-operative	89.7	88.2	-
Culture/lifestyle	80.8	81.8	-
Interaction with other residents	81.8	85.6	-
Housing costs compared to income	88.2	76.8	87.4
SECTION 61			
Inside of home	93.8	88.0	86.6
Co-operative buildings	92.3	86.2	87.9
Grounds	89.5	84.0	85.2
Nearby area/community	95.2	93.7	91.2
Way co-operative is managed	87.8	85.0	80.6
Your role in running co-operative	90.7	91.5	-
Culture/lifestyle	90.6	87.1	-
Interaction with other residents	89.0	87.8	-
Housing costs compared to income	94.1	95.0	87.4
SECTION 95			
Inside of home	89.2	90.7	86.6
Co-operative buildings	88.2	91.2	87.9
Grounds	84.6	88.0	85.2
Nearby area/community	93.1	91.6	91.2
Way co-operative is managed	82.0	83.3	80.6
Your role in running co-operative	91.1	92.7	-
Culture/lifestyle	85.4	85.0	-
Interaction with other residents	87.5	88.5	-
Housing costs compared to income	90.1	91.4	87.4

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Includes both "somewhat satisfied" and "very satisfied".

The housing characteristics in which residents appear to be most satisfied in all programs are the neighbourhood around the co-operative, the role of residents in running the co-operative, and the affordability of co-operative living. In most cases, more than 90 per cent of residents expressed satisfaction with these three aspects of their housing. One notable exception is with respect to affordability where only 76.8 per cent of non-RGI FCHP residents expressed satisfaction.

Interestingly, residents showed the lowest level of satisfaction with the way the co-operative is managed. Only 76 per cent of FCHP residents expressed satisfaction with the way their co-operatives are managed. Over 80 per cent of Section 95 residents and over 85 per cent of Section 61 residents are satisfied with the management of their co-operatives.

No consistent differences are evident in Table 7.1 between the satisfaction of RGI residents and non-RGI residents on the various indicators. However, RGI residents in Section 61 co-operatives tended to be more satisfied than the non-RGI residents in these co-operatives on most indicators.

Table 7.1 also shows how Public Housing residents responded to similar questions as part of the Public Housing Evaluation. In general, co-operative housing residents tend to be as satisfied with their housing as Public Housing residents. FCHP residents show slightly less satisfaction compared to Public Housing residents, while Sections 61 and 95 residents show slightly higher levels of satisfaction against most of the indicators.

The generally high levels of satisfaction co-operative housing residents express about specific aspects of their housing and living environments are confirmed by the global satisfaction rating presented in Table 7.2. More than one-half of residents in each of the co-operative housing programs indicate that they are "very satisfied" with the housing generally. Over 90 per cent express satisfaction with their housing. The only exception is non-RGI F/P Non-profit residents in Ontario where 88.3 per cent are satisfied. Residents of FCHP co-operatives, although expressing a high level of satisfaction, are less satisfied than residents of the other federal co-operative housing programs where 94 per cent or more of residents express satisfaction (compared to 90.6 per cent in FCHP co-operatives). RGI residents tend to be slightly more satisfied overall than non-RGI residents in all programs.

Satisfaction ratings indicated by residents of all of the co-operative housing programs compare favourably with other populations surveyed with the same indicator. As seen in Table 7.2, co-operative housing residents show overall levels of satisfaction which are higher than any other population surveyed on the same indicator, which include the general population and clients of Public Housing.

The co-operative housing case studies further confirmed the high levels of resident satisfaction with their housing situation. Residents consistently expressed their commitment to co-operative housing principles and felt that everyone who wanted to should be able to live in co-operatives. The case studies suggest that it is the cumulative effect of many perceived benefits from living in a co-operative that leads to high satisfaction levels. Even in co-operatives experiencing adverse conditions (such as problems in an older building, locations in high crime or transitional neighbourhoods, or when the co-operative itself is having financial or other difficulties), residents appear to view the benefits of co-operative housing as out-weighing other factors.

The case study findings shed some light on sources of dissatisfaction with co-operative management (which survey data showed had the lowest satisfaction ratings). Some of the issues raised about management "problems" include lack of adequate communication between the general membership and the Board of Directors, expecting too much volunteer effort, loss of key people from the Board or committees, and confusion of responsibilities among the Board, committees and staff persons (if present). Smaller co-operatives seemed to be more likely to experience difficulties which could lead to member dissatisfaction. The Case Study Summary Report suggests that larger co-operatives were thought to be more able to "avoid these problems and offer opportunities for satisfying participation without being over-worked".

TABLE 7.2
OVERALL SATISFACTION RATING OF CO-OPERATIVE HOUSING RESIDENTS COMPARED WITH OTHER GROUPS

	SATISFIED %
CO-OPERATIVE HOUSING	
FCHP	
RGI residents	91.0
Non-RGI residents	90.2
TOTAL	90.6
SECTION 61	
RGI resident	96.4
Non-RGI residents	95.3
TOTAL	96.0
SECTION 95	
RGI resident	95.6
Non-RGI residents	93.9
TOTAL	94.7
F/P NON-PROFIT (ONTARIO)	
RGI resident	92.6
Non-RGI residents	88.3
TOTAL	91.5
F/P NON-PROFIT (QUÉBEC)	
RGI resident	93.7
Non-RGI residents	-
TOTAL	93.7
PUBLIC HOUSING	87.4
ALL RENTERS	
Households - CANADA	76.8
ALL HOUSEHOLDS CANADA	86.8

SOURCE: Various Surveys, Program Evaluation Division, CMHC 1990.

B. Changes in Housing Conditions Since Moving into a Co-operative

An alternative measure to satisfaction in assessing the benefits of co-operative housing for residents is through the comparison of conditions in the co-operative against residents' previous accommodation. Co-operative housing residents were asked to assess whether they perceive their current housing to be better or worse than their last home against eight characteristics.

Table 7.3 shows the percentage of co-operative housing residents who perceive an improvement in their current housing as compared to their previous accommodation. Overall, substantial proportions of residents see their current housing to be an improvement, compared to relatively few who see it as being worse than before. The areas which are seen by residents to have improved the most are unit size, participation in housing decisions and community involvement. Areas seen by the fewest residents to have improved are security from crime or vandalism and the state of repair of their housing. It should be emphasised however, that more residents viewed even these housing characteristics to have improved rather than deteriorated.

TABLE 7.3
RESIDENTS WHO PERCEIVE AN IMPROVEMENT IN HOUSING CONDITIONS COMPARED TO PREVIOUS ACCOMMODATION

		SECTION	SECTION	F/P NON-PROFIT	
	FCHP	61	95	ONTARIO	QUÉBEC
	%[1]	%	%	%	%
RGI RESIDENTS					
State of repair	62.4	51.7	53.9	70.0	80.7
Unit size	62.9	64.0	65.1	71.1	71.1
Housing costs	71.6	71.7	71.6	72.0	79.3
Participation in housing decisions	64.5	69.9	65.5	67.9	70.6
Security from crime/vandalism	50.1	51.8	48.1	54.6	54.1
Location	48.2	62.0	55.8	48.0	59.5
Community Involvement	62.2	70.6	63.0	69.5	75.0
Interaction with neighbours	54.8	64.4	55.2	58.2	47.1
NON-RGI RESIDENTS					
State of repair	50.5	45.0	53.8	56.3	-
Unit size	54.7	62.6	63.2	67.5	-
Housing costs	33.5	69.0	59.3	35.1	-
Participation in housing decisions	52.2	66.0	63.9	61.7	-
Security from crime/vandalism	34.8	34.4	41.9	42.8	-
Location	42.3	52.9	49.5	45.1	-
Community Involvement	53.5	61.5	64.7	59.6	-
Interaction with neighbours	49.7	55.0	55.4	50.8	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Residents who perceive an improvement expressed as a percentage of all respondents to the question (including "not applicable").

Across all four of the co-operative housing portfolios analysed, fewer FCHP residents viewed their housing situations to have improved than other residents. This is consistent for every aspect of their housing with the exception of its state of repair (both RGI and non-RGI residents) and security from crime and vandalism (RGI residents and non-RGI residents). Some of these differences are rather large. Not surprisingly, the largest difference is seen for housing costs where 33.5 per cent of non-RGI FCHP residents saw an improvement, compared to 35.1 per cent for F/P Non-profit in Ontario, 59.3 per cent for Section 95 and 69.0 per cent for Section 61 co-operatives. These results reflect the differences in how the occupancy charges are determined under each co-operative housing program. It may also be a reflection of how occupancy charges can be reduced over time for housing co-operatives.

The top half of Table 7.3 shows the same tabulations for RGI residents in order to shed light on some of the benefits accruing to lower income residents. In general, RGI residents report somewhat higher levels of improvement in each of the housing elements measured. This would be expected given that many of these residents would likely have been in core need in their previous housing. Interestingly, RGI residents in F/P Non-profit co-operatives in Québec show a greater likelihood of improvement in their housing situations than RGI residents in other co-operatives. One notable exception, however, is in terms of their interaction with neighbours.

C. Resident Participation

a) Activities and Level of Involvement

By its nature, co-operative housing requires some commitment of labour by its residents in the management and ongoing operations of the housing project. While one of the more tangible benefits of this management structure is its potential to minimise pecuniary housing costs, it can also provide a means for some residents to gain useful skills and experience.

In this section, the level of resident contributions to the management of their housing co-operatives is measured by the proportion of members who are current or past members of various co-operative committees and by the estimated number of hours per month resident households contribute to co-operative housing activities.

Table 7.4 presents an analysis of the percentages of co-operative housing residents who are either current or past members of various management committees in their co-operatives.

These data suggest a generally high degree of participation in the management of housing co-operatives by their residents. For example, the highest rate of participation by residents is on the housing co-operatives' maintenance committees. Slightly more than one-half of residents in all three federal program portfolios have participated in this committee. A high proportion of residents in the federal programs have also participated on the co-operative housing Boards of Directors which include 42.6 per cent for non-RGI FCHP, 53.8 per cent for Section 61 and 56.2 per cent for Section 95 residents. A considerably smaller proportion of non-RGI F/P Non-profit residents (Ontario) have been a Board Member (32.1 per cent).

TABLE 7.4
RESIDENT PARTICIPATION ON CO-OPERATIVE HOUSING COMMITTEES

		RESIDENTS WHO PARTICIPATE NOW OR IN PAST[1]			
				F/P NON-PROFIT	
	FCHP %	SECTION 61 %	SECTION 95 %	ONTARIO %	QUÉBEC %
Board Members					
RGI residents	43.5	43.7	44.7	22.5	72.3
Non-RGI residents	42.6	53.8	56.2	32.1	-
Member Selection/Education Committee					
RGI residents	42.0	34.6	37.9	37.0	59.2
Non-RGI residents	34.3	43.4	45.4	21.8	-
Finance Committee					
RGI residents	23.8	24.1	29.8	17.5	37.9
Non-RGI residents	30.2	29.3	34.2	16.7	-
Maintenance Committee					
RGI residents	48.3	51.8	50.3	46.8	71.9
Non-RGI residents	55.7	59.4	57.4	45.4	-
Security Committee					
RGI residents	13.0	11.8	10.7	7.9	31.9
Non-RGI residents	14.1	9.9	13.0	11.9	-
Community Services Committee					
RGI residents	10.9	15.9	11.1	14.8	14.8
Non-RGI residents	6.9	10.0	9.1	20.3	-
Social/Recreational Committee					
RGI residents	42.6	45.2	41.1	49.2	40.1
Non-RGI residents	33.1	42.3	39.7	40.4	-
Newsletter Committee					
RGI residents	22.2	30.6	23.5	23.2	20.3
Non-RGI residents	18.4	23.8	24.3	27.3	-
One or More Committees					
RGI residents	85.8	76.3	88.0	85.9	90.2
Non-RGI residents	88.1	87.5	88.2	82.9	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Response of "not applicable" is interpreted as having never participated.

The lowest rates of participation are seen for housing co-operatives' security committees and community services committees. This reflects the fact that many co-operatives have not instituted such committees, as discussed in Chapter IX.

The data presented in Table 7.4 also show rates of committee participation by residents whose occupancy charges are geared to income (RGI). These findings generally show that RGI residents participate as much or more than other residents in the management of the housing co-operatives.

Finally, Table 7.4 shows the incidence of residents who have, at one time or another, participated on one or more co-operative committees. In general, the highest rates of committee participation by RGI residents are found in F/P Non-profit co-operatives in Québec at 90.2 per cent, while the lowest is among RGI residents in Section 61 co-operatives (76.3 per cent). Non-RGI residents tend to show the same rates of participation across all federal co-operative housing programs (88 per cent).

Another indicator of the level of volunteer effort expended by individual resident households is provided by examining the amount of time devoted to co-operative operations. Table 7.5 shows the distribution of hours per month spent by co-operative resident households toward project operations.

In general, and including all programs, a constant proportion of about 70 per cent of co-operative housing resident households devote from one to ten hours per month to co-operative activities. A relatively small group of resident households, ranging from 9.6 per cent of non-RGI FCHP households to 10.9 per cent of non-RGI Section 61 households reported that they spend no time whatsoever on co-operative activities. This is consistent with the previous finding that 10 to 25 per cent of residents have never participated on a committee.

Approximately one-in-five resident households spend more than 10 hours per month on the co-operatives' activities and less than 10 per cent spend more than 20 hours per month. In general, residents whose occupancy charges are geared to income devote the same amount of time to co-operative activities as other residents.

Table 7.5 also presents the mean hours per month per household spent on co-operative activities by program and by RGI-status. With the exception of the Section 95 program, non-RGI residents show a slightly higher average level of participation. Participation time is highest in the newer co-operatives (FCHP and F/P Non-profit), especially in F/P Non-profits in Québec at 12.39 hours, than in the older ones (Sections 61 and 95). Table 7.5 also shows the total estimated number of hours per month households spend in each portfolio on co-operative activities and an estimate of the total value of these activities (assuming it is all "labour"), arbitrarily valued at $10 per hour.

Co-operative housing residents were further asked to indicate whether they think that the amount of volunteer time they contribute to the co-operative is more or less than they would like. As seen in Table 7.6, 70 per cent or more of residents of the Federal Co-operative Housing Programs believe that the amount of time they contribute is about right. Few residents indicated that the amount of volunteer time contributed is excessive. Among RGI residents, between 7.7 per cent (Section 61) and 11.0 per cent (FCHP) indicated that their volunteer time is more than they would like to contribute. The range among non-RGI residents is 5.3 per cent for Section 61 residents to 13.1 per cent for FCHP residents.

A small minority of residents also indicated that the amount of volunteer time contributed to co-operative activities is less than they would like. This ranges from 15.9 per cent of non-RGI Section 95 residents to 17.5 per cent of non-RGI Section 61 residents and from 15.6 per cent among RGI FCHP residents to 22.6 per cent of RGI Section 61 residents. However, these overall findings suggest that residents are generally satisfied with the amount of volunteer time contributed to co-operative activities.

The case studies found that participation in decisions affecting the co-operative through democratic control is seen by members as one of the primary benefits of co-operative housing. Most co-operatives reported that an average of 60 per cent of members are active participants in co-operative activities, although individual participation may fluctuate over time. Some members may be intensively involved for some time and then need a break. However, rotating responsibilities for Boards and committee positions was seen as desirable to allow other members to be more involved. Some respondents noted that participation was a function of gregariousness, people who want social interaction will participate more than those who prefer to be more private. Some people will not participate even though member applications and membership agreements emphasise this requirement. The general consensus was that if 60 per cent of members participate, the co-operative was fortunate.

TABLE 7.5
LEVEL OF PARTICIPATION BY CO-OPERATIVE HOUSING RESIDENTS IN CO-OPERATIVE ACTIVITIES

		HOURS PER MONTH PER HOUSEHOLD			
		SECTION	SECTION	F/P NON-PROFIT	
	FCHP	61	95	ONTARIO	QUÉBEC
0 hours					
RGI residents	8.6	15.9	11.1	11.2	8.3
Non-RGI residents	9.6	10.9	10.7	12.7	-
1 - 5 hours					
RGI residents	38.9	41.3	41.6	46.5	38.5
Non-RGI residents	37.7	39.3	40.2	30.8	-
6 - 10 hours					
RGI residents	31.0	27.6	28.4	24.5	25.4
Non-RGI residents	29.8	31.3	28.0	34.1	-
11 - 15 hours					
RGI residents	6.6	5.4	7.5	4.4	12.1
Non-RGI residents	7.9	8.5	11.0	6.2	-
16 - 20 hours					
RGI residents	8.3	3.7	6.4	4.2	5.7
Non-RGI residents	7.6	4.3	6.0	7.8	-
More than 20 hours					
RGI residents	6.6	6.1	5.1	9.2	10.0
Non-RGI residents	7.4	5.8	4.3	8.4	-
Mean hours per month					
RGI residents	8.82	6.72	7.20	8.40	12.39
Non-RGI residents	9.55	8.37	6.74	9.62	-
Estimated total hours per month by all residents	61,766	52,339	297,057	22,330	2,670
Estimated monthly value of all "volunteer" labour at $10 per hour	617,660	523,390	2,970,570	223,300	26,700
Estimated dollars per unit per year	1,089	905	905	1,016	1,430

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Three different types of participation are involved: first, management participation (that is, in Board or committee membership); secondly, activities involving all members (such as general membership meetings and annual events such as spring clean-up or socials); and thirdly, routine, day-to-day maintenance or upkeep activities. Most of the co-operative studies noted that they had no problems getting people involved in management or group activities. The difficulties generally arise in scheduling and rotating volunteers for routine housekeeping functions. Difficulties in sharing the workload results in some people doing more than their fair share of the work which can result in over work and burnout. Some co-operatives have hired paid maintenance staff so as to ensure routine maintenance of the buildings.

Several factors may contribute to difficulties in achieving full member participation. First, participation levels may tend to decline over time, people being very active in the early years but losing momentum over the years. A particular issue arose in a seniors' co-operative where normal aging reduces the physical abilities to participate. Co-operatives with working families note the difficulty of finding time when members work shifts, nights and weekends. Secondly, some problems arise in the integration of new members into an existing co-operative, particularly if the co-operative is functioning well or when new members do not appreciate the spirit of co-operatives as founding members did. Thirdly, some co-operatives have encountered problems when pressures to fill vacancies have led them to be less selective about incoming members and newcomers have not been committed to co-operative living.

Co-operatives have devised a range of strategies to maximise member participation. Most of the case study co-operatives stressed the importance of the initial member selection procedures. Efforts are generally made to ensure that the people chosen are interested in co-operative living. A second pre-condition for active participation among both "old" and "new" members is a continuing emphasis on member training and education. Co-operatives which have neglected these functions often encounter problems in achieving full participation. Some co-operatives have invested considerable time and effort in preparing member handbooks or other orientation and training materials as well as encouraging members to attend co-operative training courses. Thirdly, some co-operatives encourage each new member to join a specific committee soon after moving in while others use sign-up sheets for task allocation which encourages people to sign up early for the preferred tasks. Finally, use is made of reward systems (such as sending out thank-you cards, awarding plaques, electing volunteer-of-the-month, and semi-annual dinners recognising member contributions). These measures seem to have been more effective than punitive systems such as keeping attendance records, coercing members or strictly enforcing participation policies (such as through threats of expulsion).

TABLE 7.6
RESIDENT ASSESSMENT OF WHETHER AMOUNT OF VOLUNTEER TIME CONTRIBUTED IS APPROPRIATE

	PER CENT RATING VOLUNTEER TIME CONTRIBUTED AS: MORE THAN WOULD LIKE	ABOUT RIGHT	LESS THAN WOULD LIKE
FCHP			
RGI residents	11.0	73.5	15.6
Non-RGI residents	13.1	70.5	16.4
SECTION 61			
RGI residents	7.7	69.7	22.6
Non-RGI residents	5.3	77.2	17.5
SECTION 95			
RGI residents	8.1	72.8	19.2
Non-RGI residents	9.1	75.1	15.9
F/P NON-PROFIT (ONTARIO)			
RGI residents	8.8	73.3	17.9
Non-RGI residents	15.6	64.2	20.2
F/P NON-PROFIT (QUÉBEC)			
RGI residents	10.0	77.0	13.0
Non-RGI residents	-	-	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

b) Benefits of Participation

It has been suggested that co-operative housing, as a form of assisted housing, can provide more benefits to individual residents, particularly those of low income, than other types of social housing. This section reports on evidence related to this issue from the Co-operative Housing Resident Survey.

Co-operative housing residents were asked to identify those skills or experience they had acquired from their involvement in the co-operative. Table 7.7 presents the tabulated results on the proportions of residents who believe they have acquired different types of skills. In general, the highest proportions of residents identified the more "attitudinal" skills as ones which have been acquired. More than one-third of residents in all programs indicated acquisition of "skills in working together with others on a project" or "improved self-confidence when participating in meetings or in groups". In addition, nearly one-quarter or more of all residents believe that they have acquired "organisational skills (eg. running meetings, running an office, organising social events)".

Conversely, relatively few residents identified the more specific skills such as "bookkeeping, financial management, budgeting, etc", "clerical, secretarial skills etc.", or "skilled trades" acquired through housing involvement. Depending on the specific skill and on the program type, between 3.7 and 14.6 per cent of all residents identified any of these "specific" skills as ones they had acquired.

Although a majority believe they had acquired at least one skill, substantial proportions of co-operative housing residents explicitly indicated that they had acquired no new skills or experience as a result of living in a housing co-operative. This finding ranges from a low of 29.9 per cent for non-RGI residents in Section 61 co-operatives to 40.6 per cent in FCHP co-operatives. Over 40 per cent of non-RGI residents in F/P Non-profits in Ontario also believe they have acquired no new skills or experience. This would seem to suggest that the older co-operatives are more successful, perhaps due to longer occupancy periods for residents. This is also supported by the fact that residents in FCHP and Ontario F/P Non-profit co-operatives were consistently less likely than other residents to report the acquisition of individual skills or experience. A significant exception to this trend was the finding that only 17.7 per cent of F/P Non-profit co-operative residents in Québec reported that they had acquired no new skill.

Data presented in Table 7.7 also show the corresponding proportions of residents whose occupancy charges are geared to income who believe they have acquired various skills and experience. In general, the incidence of skills development among these RGI residents is very similar to that of other residents. However, RGI residents in FCHP and in F/P Non-profit co-operatives were consistently more likely than their non-RGI counterparts to have acquired various skills and experience, while such differences are not as apparent in the Sections 61 and 95 co-operatives.

TABLE 7.7
SKILLS ACQUIRED THROUGH CO-OPERATIVE HOUSING INVOLVEMENT

	RESIDENTS WHO HAVE ACQUIRED SKILLS				
		SECTION	SECTION	F/P NON-PROFIT	
	FCHP	61	95	ONTARIO	QUÉBEC
	%	%	%	%	%
Bookkeeping, financial management budgeting, etc.					
RGI residents	13.4	14.6	16.2	9.8	21.8
Non-RGI residents	15.3	21.6	20.4	6.2	-
Clerical, secretarial skills, etc.					
RGI residents	11.5	9.0	11.5	5.5	20.3
Non-RGI residents	8.2	10.6	12.7	6.0	-
Skilled trades					
RGI residents	3.7	14.6	5.5	2.9	7.2
Non-RGI residents	5.1	8.3	8.7	0.9	-
Organisational skills					
RGI residents	29.5	40.2	34.0	27.6	37.1
Non-RGI residents	24.9	36.1	38.9	28.9	-
Skills in working together with others on a project					
RGI residents	43.0	44.4	42.8	40.7	44.4
Non-RGI residents	35.7	45.9	40.4	29.5	-
Improved self-confidence when participating in meetings or in groups					
RGI residents	50.2	45.0	47.5	41.8	61.7
Non-RGI residents	35.2	46.3	44.1	24.4	-
One or more skills acquired					
RGI residents	69.9	69.1	67.4	63.6	82.3
Non-RGI residents	59.4	70.1	66.7	57.2	-
No new skills acquired					
RGI residents	30.1	30.9	32.6	36.4	17.7
Non-RGI residents	40.6	29.9	33.3	42.8	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Table 7.8 presents further results on some of the more tangible socio-economic benefits of co-operative living for co-operative housing residents. As part of the survey of co-operative residents, respondents were asked to assess whether co-operative living had helped them to pursue other beneficial activities. The findings in this regard do not show a strong impact on specific skills development or labour market activities in most cases. Among these specific personal development activities, the proportion of RGI residents who have benefited ranges from 1.2 per cent of FCHP residents who started their own business to 21.4 per cent of Section 61 RGI residents who started working outside the home as a result of co-operative living. In most cases, however, residents whose occupancy charges are geared to income are more likely than other residents to have registered such benefits. Consistent with previously reported findings on this issue, FCHP residents were less likely than others to report these benefits.

Overall, between 27.2 (FCHP) and 39.2 (Section 61) of RGI residents identified one or more of the four types of specific benefits as ones which they had experienced. In all, 31.6 per cent of RGI residents in Section 95 residents, 30.7 per cent of F/P Non-profit (Ontario) RGI residents and 33.5 per cent of F/P Non-profit (Québec) RGI residents reported one or more of the specific benefits noted in Table 7.8.

TABLE 7.8
IMPACTS OF CO-OPERATIVE LIVING ON RESIDENTS

		PER CENT OF RESIDENTS[1]			
		SECTION	SECTION	F/P NON-PROFIT	
	FCHP %	61 %	95 %	ONTARIO %	QUÉBEC %
Enrol in training					
RGI residents	15.9	17.7	19.5	17.3	23.0
Non-RGI residents	11.3	15.6	15.2	14.5	-
Finished education					
RGI residents	9.6	13.9	9.1	9.2	15.3
Non-RGI residents	3.8	6.1	5.0	6.1	-
Start working outside home					
RGI residents	9.7	21.4	14.6	13.5	15.1
Non-RGI residents	4.9	11.8	10.9	6.7	-
Start own business					
RGI residents	1.2	5.6	4.4	6.3	2.1
Non-RGI residents	1.9	3.0	3.9	6.2	-
One or more impacts					
RGI residents	27.2	39.2	31.6	30.7	33.5
Non-RGI residents	16.3	25.7	26.5	23.9	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

NOTE: [1] As a percentage of all respondents (including "not applicable").

The case studies focused on several types of benefits of living in housing co-operatives including not only the personal/individual benefits discussed above, but also issues of resident control and mutual support. With regard to individual member benefits, the case studies generally confirmed the findings from survey data, namely that the greatest impacts are in the skills of communications, public speaking, conducting meetings, management skills, and that these contribute significantly to improved self-confidence and self-esteem of members. The case studies found that an improved sense of well-being and a better quality of life were indicated by increased respect for others, tolerance of different values and lifestyles, pride in one's home, sense of belonging, strong sense of community, commitment to helping each other and a general sense of empowerment (feeling in control of important aspects of one's life). For seniors, it was noted that living in a co-operative allowed them to contribute skills they already had, keeping them alert and interested in life. Many cases of striking self-development and personal growth were found in the case studies suggesting the importance of these effects to co-operative members.

Tangible benefits are also perceived to stem from resident control over decisions affecting their lives through participation in co-operatives. Members felt that they controlled their co-operatives and that the Boards of Directors were representing the members on day-to-day operations. Important decisions and policies were brought to the membership for a vote. Members felt they controlled all major aspects of the co-operatives including selection of members, budget approval and increases in housing charges, major expenditures and repairs, staff hiring and firing, policies, by-laws, and occupancy agreements. The benefits of these controls include resident involvement in decision-making and policy-making, wise investment of surplus funds to maintain low increases in future costs, greater understanding of management, and the ability to save money by doing work themselves and decrease costs. In a few cases, some members felt that power was too centralised but this occurred because too few people were willing to take on key positions or the "big" jobs. Clearly, the benefits of participation can only be achieved by effective member participation.

An important secondary benefit from co-operative living was seen to be the extensive, mutual, informal support networks related to the strong sense of community spirit. Co-operative residents tend to know their neighbours rather better than, say, tenants in a rental situation because they have to work with each other as well as live close to each other. Helping with child care and baby-sitting, keeping an eye on children, shopping or meals for the sick, and questioning strangers as a self-policing strategy were examples of assistance provided by neighbours, as well as the moral support to help families with personal problems. Many of these supports might be found in a traditional neighbourhood community. However, residents felt that co-operatives provided much more support than they had found in previous situations where people do not even know their neighbours.

D. Social Integration and Income-Mixing

The case studies examined the experience of co-operatives with income-mixing and social integration. The case study co-operatives varied in regards to both income-mix and social mix. For example, the proportions of subsidised members varied from zero to 15, 25, 50 and over 70 per cent. Among the co-operatives studied was a seniors' only co-operative, co-operatives with a mix of one and two-parent families, single people, couples, and disabled persons, some of which also housed seniors and immigrant families, and some co-operatives with a broad range of household types plus multi-generational families, refugees and persons with AIDS.

The case studies found that, regardless of the ratio of subsidised members, co-operative members were satisfied with income-mixing in their co-operatives. Members described income-mixing as healthy, and emphasised the smooth interaction between income groups (although some tensions occurred from time to time). They stressed that there is no stigma associated with receiving a subsidy, and whether a member is subsidised or not makes no difference to other members. As one person put it, no one is going to look down on a situation in which you may find yourself next month or next year.

Although the case study interviews were designed to assess the advantages of income-mixing to different income groups, co-operative members emphasised the general benefits to all residents regardless of income. Income-mixing was thought to create healthier communities (as compared with social housing or other situations), creating diverse communities of people with different perspectives and ideas. These conditions were seen as being especially beneficial for raising children, where people could learn to live without prejudice and with respect for other people. Income-mixing in co-operative housing has the advantage that people are not competing with each other, and everyone is treated equally and lives in the same housing, with similar lifestyles. A mix of incomes also allows co-operatives to function financially, contributes to a mix of skills among residents and enhances the mutual support and resource networking among members.

Two possible difficulties with income-mixing were noted in some co-operatives. First, in a few cases it was noted that subsidised members tend not to take the initiative as often as non-subsidised members with regard to co-operative responsibilities, whereas higher income members tend to understand and promote the principles of co-operative living more than low-income members. These differences were attributed to the lower self-esteem of subsidised members and a belief on their part that their input was not as necessary because their rents are not affected by how the co-operative is run. A second issue raised dealt with the fact that fully-subsidised residents have an advantage over other recipients because they do not share the burden of increases in housing charges (because their payments are geared to their incomes). In most cases, however, the contributions to the co-operative from residents were not reported to vary according to income, and the variations noted were not seen as causing significant problems.

Some co-operatives have a higher proportion of low-income members than available subsidised units and co-operatives want to be able to assist these members through their operating funds. In some co-operatives, people who would qualify for subsidy do not apply, perhaps for reasons of pride (in the case of senior citizens, especially). With respect to higher proportions of lower-income members, some people felt that if all members were low-income the co-operative would become like a "ghetto". Where 100 per cent subsidised co-operatives have been developed, the mixed co-operative members were anxious to make a distinction between their co-operative and these other co-operatives which, they felt, were quite different and had created a bad image for co-operatives based on the stigma perceived to be attached to fully targeted co-operatives.

The case studies concluded that co-operatives had been highly successful in achieving income-mixing without polarisation of income groups. Income was basically a non-issue for members, the need for affordable housing and community living were seen as more important. Most co-operatives studied had a policy of keeping subsidy information confidential so that other members were not aware of the incomes or housing charges of individual members.

The importance of a socially diverse community was seen by some as being desirable. Mixes of family types, age, race and people with various backgrounds was perceived as healthy and a strength of co-operative living. In some co-operatives, multi-generational families have been regarded as role models for other residents showing how different generations can live together and be supportive of one another. The strong commitment to a co-operative community lifestyle within the co-operatives is associated with a feeling that everyone belongs to the same social group. Relations between members were described as harmonious and neighbourly with few, if any, tensions. Most of the co-operatives studied were taking initiatives to accommodate a wider range of special needs groups such as disabled persons, persons with AIDS and refugees in line with a commitment to providing affordable housing for the broader community.

Successful integration may be related to the methods used in most co-operatives to improve the workability of mixing. These include steps such as careful screening of applicants to ensure understanding of co-operative principles and willingness to share responsibilities, requiring new members to take orientation sessions, providing orientation material, providing emergency subsidies or help for members in financial need, organising frequent social gatherings, emphasis on resolving inter-personal conflicts on a one-to-one basis with appeals to the Board or a committee used only for back-up procedures. Certain other factors were identified as contributing to successful mixing such as clear lines of communication and information within the co-operative, existence of role models within co-operatives, and project layout that includes common areas for social activities. At the same time, factors which discourage successful mixing of social and income groups included poor lines of communications, lack of participation in the co-operative, lack of respect for others or for personal property, lack of playground facilities for children and power "traps" by groups within the co-operative.

In order to help determine those co-operative housing and household characteristics which are most often associated with the self-improvement of low-income residents, a series of logistic regressions were performed on micro-data of the Co-operative Housing Resident Survey. A particular objective of this analysis is to estimate the specific impacts of income-mixed co-operative housing on the social and economic welfare of low-income residents. In order to properly control for other influences on the personal development of low-income residents and to isolate the effects of income-mix, the logistic regression procedure is employed. A by-product of this method is that the influence of a range of other characteristics of households and the co-operatives can also be tested as they impact on the personal development of low-income co-operative residents.

It should be emphasised that because there is no true control group, care should be taken in generalising these results to the conclusion that the co-operative housing experience itself can result in the development of socially beneficial skills. However, these results do provide some evidence on the specific attributes of different types of co-operatives and households which may be more conducive to the acquisition of such skills.

Toward an assessment of the effect of income-mix on the skills development of low-income co-operative residents, a reasonably wide range of income-mix does exist among co-operatives which were included in the resident survey sample. For example, all F/P Non-profit co-operative residents in Québec were surveyed. All of these co-operatives are 100 per cent core-need targeted and were therefore included in the logistic regression estimates as a type of comparison group.

The measure of income-mix used is the percentage of residents in each co-operative whose annual income in 1989 was below the applicable Core Need Income Threshold. The indicator can therefore range from zero (where no residents are low-income) to 100 per cent (where all residents are low-income). The hypothesis being tested is that the lower the proportion of low-income residents in a co-operative, the greater is the level of income-mix, which would have a positive effect on low-income residents.

The three main logistic regression model results are presented in Table 7.9.. In the first equation, the dependent variable used is the binary variable of whether or not the individual household believes it has derived any new skill from their involvement with the co-operative. This indicator is derived directly from the list of skills presented in Table 7.7. As with all of the regression equations, only households whose incomes were below CNIT in 1989 are included in this analysis. The second equation in Table 7.9 uses the dependent variable of whether co-operative housing has helped a household member to enrol in training, to finish their education, to start working outside the home, or to start their own business. Finally, the third equation uses as the dependent variable whether or not the household is very satisfied with their overall housing situation.

Apart from the indicator for the extent of income-mix within the co-operative which is continuous and can range from 0 to 100 per cent, other explanatory variables include years living in the co-operative, the size of the co-operative (number of units), age of the household head, whether or not the household head or spouse have any post-secondary education, the average number of hours per month the household devoted to co-operative activities, and dummy variables representing the co-operative programs and the five regions.

Logistic regression estimates presented in Table 7.9 were unable to demonstrate any statistically discernible relationship between the extent to which a co-operative is income-mixed and the likelihood of low-income residents reporting the acquisition of one or more life skills. Neither could a relationship be established between income-mix and the likelihood of co-operative residents going on to further training, education or career. However, the longer residents had lived in a co-operative, the more time devoted to co-operative activities and the younger the head of the household, the more likely either of these two occurrences were. Further, the co-operative size is inversely related to the acquisition of one or more skills and the possession of any post-secondary education in the household was positively related to a household member furthering their training, education, or career as a result of co-operative living. However, a positive and statistically significant relationship exists, as demonstrated in the third regression equation, between the level of income-mix and a household reporting that they are "very satisfied" overall with their home.

TABLE 7.9
LOGISTIC REGRESSION ESTIMATES ON THE DETERMINANTS OF THE BENEFITS OF CO-OPERATIVE HOUSING

DEPENDENT VARIABLE	BETA COEFFICIENT AND PROB-VALUE		
	1 ANY SKILLS ACQUIRED	2 TRAINING, EDUCATION, CAREER	3 VERY SATISFIED WITH HOME
Intercept	0.889 (0.005)*	0.503 (0.129)	0.518 (0.589)
Years in co-op	0.097 (0.000)*	0.070 (0.000)*	-0.044 (0.003)*
Co-op size (units)	-0.007 (0.000)*	-0.001 (0.266)	0.0004 (0.729)
Age of head	-0.012 (0.000)*	-0.034 (0.000)*	0.023 (0.000)*
Income-mix (% Co-op below CNIT)	-0.440 (0.160)	0.017 (0.958)	-1.097 (0.000)*
Any post-secondary education (0,1)	0.094 (0.324)	0.602 (0.000)*	-0.087 (0.327)
Household income ($000)	0.0002 (0.984)	-0.039 (0.008)*	-0.007 (0.356)
Hours per month - co-op activities	0.084 (0.000)*	0.026 (0.000)*	0.008 (0.104)
Section 95 (0,1)	-0.073 (0.557)	0.316 (0.019)*	0.314 (0.007)*
Section 61 (0,1)	-0.364 (0.025)*	0.170 (0.338)	0.397 (0.011)*
F/P Non-profit (Ontario) (0,1)	0.299 (0.197)	0.029 (0.905)	0.394 (0.069)
F/P Non-profit (Québec) (0,1)	0.571 (0.128)	1.262 (0.000)*	0.203 (0.448)
Atlantic region (0,1)	-0.114 (0.474)	-0.270 (0.112)	0.102 (0.505)
Québec region (0,1)	0.407 (0.027)*	-0.818 (0.000)*	-0.191 (0.244)
Ontario region (0,1)	0.022 (0.887)	-0.019 (0.906)	-0.274 (0.064)
Prairie region (0,1)	-0.086 (0.538)	-0.113 (0.413)	-0.101 (0.454)
-2 Log Likelihood Ratio (Prob-value)	2832.8 (0.0)	2565.0 (0.0)	3208.2 (0.0)

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.
NOTE: * Statistically significant at 95 per cent criterion.

The various components of the dependent variable in regression equations one and two were also tested alone to determine whether they were related to the extent to which a co-operative is income-mixed. Of the six types of skills listed in Table 7.7, a significant coefficient was derived for only one skill: the ability to work together on a project. Low-income residents living in co-operatives with a lower proportion of other low-income residents were significantly more likely to report the development of this skill. The level of income-mix was not a significant factor in helping residents to further themselves in respect of any area listed in Table 7.8, nor was it related to the perceived improvement in residents' economic well-being.

Finally, the three regression equations presented in Table 7.9 were re-run with an adjusted version of the income-mix indicator. This variable was transformed from a continuous variable ranging from 0 to 100 per cent, to a dichotomous variable (0,1) denoting whether or not a project is mixed. This was done setting a mix criterion of 40, 50, 60 and 70 per cent non-RGI residents in each project. All of the results pertaining to the significance of the income-mix parameter were replicated, suggesting that these results are robust.

E. Community Impacts

Co-operative housing has been suggested to have the potential for contributing in positive and beneficial ways to the communities in which it is located. The Survey of Co-operative Housing Managers/Co-ordinators and the co-operative case studies investigated the extent and types of interaction between housing co-operatives and the surrounding communities. Three indicators are considered based on the survey data, namely, the extent to which co-operatives have developed services for their residents, the involvement of co-operative residents in service development in the broader community outside the co-operative, and assessments of relationships between co-operatives and the nearby communities.

Some housing co-operatives have developed services for their own residents such as day care, baby-sitting, food banks, and so on. These initiatives not only address the needs of co-operative residents but may also have the effect of making co-operative residents self-sufficient of publicly-provided services. Table 7.10 shows that a minority of co-operatives have developed or plan to develop these kinds of services. The data show that skills exchange and education/training workshops were more likely to be developed. Nearly a quarter of co-operatives reportedly had developed education/training services and nearly half the FCHP co-operatives had plans to provide such services.

TABLE 7.10
INCIDENCE OF CO-OPERATIVES DEVELOPING SERVICES FOR OWN RESIDENTS BY PROGRAM TYPE

	FCHP PROJECTS %	SECTION 61 PROJECTS %	SECTION 95 PROJECTS %	F/P NON-PROFIT PROJECTS[1] %
SERVICES DEVELOPED				
Co-operative day care	2.9	3.5	3.2	4.0
Baby-sitting	10.2	11.0	11.3	15.1
Food bank	2.2	1.1	2.2	7.7
Car pooling	4.2	4.2	4.7	3.3
Skills exchange	17.2	20.2	20.2	17.3
Education/training workshops	25.0	29.8	26.8	33.3
SERVICES PLANNED				
Co-operative day care	7.8	3.2	3.7	14.3
Baby-sitting	12.7	4.9	5.2	11.9
Food bank	4.8	1.9	2.8	10.7
Car pooling	8.5	1.0	1.7	3.3
Skills exchange	29.2	13.7	15.4	31.4
Education/training workshops	45.6	17.6	24.9	40.4

SOURCE: Survey of Co-operative Housing Management Co-ordinators, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Insufficient observations in Québec to disaggregate provincially.

Secondly, some co-operatives have been involved in developing services, amenities or social activities in the broader community outside the co-operative. Based on the manager/co-ordinator opinions, co-operatives were very active or actively involved with the outside community in 37 per cent of the FCHP projects, 40 per cent of Section 95 projects and in 57 per cent of Section 61 projects (Table 7.11). These data imply a trend toward increasing community involvement over time as co-operatives become more established in the local area. Interestingly, the post-1985 non-profit co-operatives were reportedly somewhat more actively involved in the local community than the FCHP projects (45.8 per cent of their project managers/co-ordinators felt there was active involvement). In a small proportion of projects the respondents reported that the co-operative was not actively involved with the community at all. About 14 per cent of Section 61 and 95 projects and 20 per cent of FCHP projects were reportedly not active compared with 11 per cent of the post-1985 non-profit co-operatives. A small proportion of managers/co-ordinators responded that they did not know how involved the co-operative residents had been in the local community.

TABLE 7.11
CO-OPERATIVE RESIDENTS' INVOLVEMENT IN THE DEVELOPMENT OF SERVICES, AMENITIES OR SOCIAL ACTIVITIES IN THE LOCAL COMMUNITY
BY PROGRAM TYPE

TYPE OF INVOLVEMENT	FCHP PROJECTS %	SECTION 61 PROJECTS %	SECTION 95 PROJECTS %	F/P NON-PROFIT PROJECTS %
Very active	7.4	10.8	7.6	7.7
Active	29.5	45.8	32.6	38.1
Not very active	30.6	24.4	34.8	31.3
Not active at all	20.0	12.9	13.6	11.5
Don't know	12.5	6.1	11.4	11.5

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Thirdly, the managers/co-ordinators were asked to assess the general nature of co-operative relationships with the nearby community based on a range of factors as shown in Table 7.12. In over 90 per cent of cases, there was a nearby residential community to allow for this assessment. The findings generally show quite positive relationships between the co-operatives and the nearby community. In 57 to 69 per cent of co-operatives, the residents are reportedly fully or somewhat closely involved with the nearby community, its schools, clubs, and services, and there is free interaction between the community residents and co-operative residents in 50 to 78 per cent of co-operatives. Seventy to 80 per cent of the co-operatives were said to have regular access to local community and social services for their residents. Nevertheless, there appear to be a fraction of co-operatives that experience some difficulties or barriers in their relationships with the nearby community. Some social barriers to interaction were reported in from 17 to 20 per cent of federal co-operatives and in 37 per cent of F/P Non-Profit co-operatives.

TABLE 7.12
INDICATORS OF CO-OPERATIVE/COMMUNITY RELATIONSHIPS[1]

	PER CENT OF PROJECTS WITH POSITIVE RESPONSES							
FACTORS	ILM		SECTION 61		SECTION 95		F/P NON-PROFITS	
INDICATIONS OF POSITIVE RELATIONSHIPS								
The residents of this co-op are closely involved with the near-by community and its schools, clubs and services.	57.0	(25.6)	68.4	(14.0)	65.9	(16.1)	68.7	(3.8)
Members of the nearby community meet and visit freely and regularly with residents of this co-op.	50.7	(18.2)	78.0	(6.2)	63.3	(13.3)	50.3	(10.4)
Community and social services are regularly available to residents within this co-op.	69.6	(13.0)	68.6	(11.2)	71.0	(13.8)	84.5	(9.6)
INDICATIONS OF NEGATIVE RELATIONSHIPS								
There are significant social barriers between the residents of this co-op and the nearby community.	18.5	(13.4)	20.0	(14.5)	16.6	(12.6)	37.0	(10.8)
Residents of this co-op have severe difficulty in using community and social services which are provided outside this co-op.	8.8	(20.0)	12.6	(18.1)	9.2	(16.2)	23.7	(14.1)
OTHER INDICATORS								
This co-op is a "community" in itself which needs and uses few services from outside its own boundaries.	21.6	(9.3)	25.4	(4.4)	24.9	(6.3)	42.2	(7.4)
This co-op is located in an area far removed from any other residential community.	5.8	(2.8)	7.4	(1.0)	6.8	(1.6)	3.0	(3.7)

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

NOTE: [1] Percentage of respondents who answered "describes exactly" plus "describes somewhat" to the series of statements about the co-operative. Percentages shown are of all respondents and have not been adjusted to exclude "Don't Know" responses. The percentages who answered "Don't Know" are shown in brackets.

Two points are noted in Table 7.12. First, the older co-operatives (Sections 61 and 95) seem to have more positive community relationships on the whole and fewer of them face difficulties than the newer co-operatives. This may indicate that co-operative/community relations evolve and become more positive over time as the co-operative becomes part of the local community. Secondly, the F/P Non-profit co-operatives seem to be experiencing problems more often and be less accepted in the local community than other co-operatives. Residents in the Non-profit co-operatives are reported to be experiencing difficulties using community and social services and to experience significant social barriers in the nearby community. At the same time, the F/P projects seem to be more likely to be self-contained communities in themselves (40 per cent of F/P Non-profits compared with about 25 per cent of other co-operatives).

The extent to which co-operatives are communities in themselves which need and use few services from the outside area is not necessarily a positive or negative indicator. For example, self-sufficiency may stem from a strong co-operative spirit and development of services and support systems for members, or residents may actually need few services. Alternatively, self-sufficiency may indicate an inward-looking and isolated community which has not realised the potential for positive community involvement. In general, the findings show a fair degree of community acceptance, openness and involvement of co-operatives with the local community. The co-operative case studies were designed to explore the relationships between co-operatives and the community in more depth to help assess the impacts of these housing projects.

The case studies investigated various types of interaction between co-operatives and the community including sharing of resources, mutual use of services, facilities and common involvement in organisations and events. Both individual and collective level interaction were considered, and interviews were undertaken with key informants in the community as well as with co-operative residents.

Case study findings suggest that the priority in the housing co-operatives was to strengthen community life within the co-operative. At its best, this perspective was reflected by an active role of the co-operative in the wider community. However, in some cases, the commitment to internal goals had tended to create an insularity which, while contributing to strengthen the co-operative, tended to set the co-operative apart from the local community. In some cases, the insularity resulted in a misunderstanding of the principles of co-operative housing creating tension between the co-operative and the community. The success of co-operative/community interaction did not seem to depend on the type of neighbourhood in which the housing was located. Neighbourhoods surrounding co-operatives studied ranged from high crime, densely-populated areas to prestigious, high-income areas, with examples of successfully integrated co-operatives in each type of neighbourhood. The most important factor affecting the co-operatives interaction with the community were the willingness of co-operative members and community residents to interact and the availability of facilities within the co-operative or the community around which social interaction could occur. Attributes toward community involvement ranged from outward looking to isolationist, the latter occurring where co-operative residents felt they had enough work to do in the co-operative without becoming involved in community activities.

Various factors were identified which tended to either encourage or discourage interaction between the co-operatives and the community. Successful community impacts were most likely to occur where the co-operative had support from the local municipal government, where the co-operative buildings and grounds fitted into the community (in terms of architecture, age, maintenance and size), where the co-operative was outward looking and was involved in community events as well as encouraging community members to be involved in co-operative events and use co-operative facilities, where the neighbourhood was regarded as a safe environment, and where joint projects were undertaken with the local community.

On the other hand, situations in which the lack of co-operative facilities caused overuse of community facilities, where there were already shortages of community facilities or lack of community events, where the co-operative was not consistent with the density, size, architecture, or financial status of the neighbourhood, or where there was misunderstanding of co-operatives in the local community seemed to impede the successful interaction between the co-operative and community. Interestingly, co-operatives with minimal contact with co-operative resource groups or no memberships in a local co-operative housing organisation seemed to have more problems in integrating the co-operative within the local neighbourhood. The case studies encountered a range of attitudes from local neighbourhoods from acceptance and appreciation (as exemplified in the comment that co-operatives make good neighbours) to the less frequently found other extreme where co-operatives are seen as similar to public housing, diminishing property values, or having many social problems. The more isolated co-operatives, which may include co-operatives that have had to deal with their own internal difficulties, have probably compounded the difficulties of achieving successful integration in local communities.

Evidence compiled in this section suggests that more work needs to be done to increase public awareness and knowledge about co-operative housing as distinct from other social and public housing. Evidently, in some situations, co-operatives have faced difficulties obtaining full acceptance of local neighbourhoods and community impacts of co-operative housing have not been as substantial as have been previously suggested.

F. Innovation

Co-operative housing has sometimes been seen as serving an innovative role in generating new approaches which benefit other housing sectors. The evaluation sought to assess the role of the co-operative sector in generating innovative ideas and approaches in provision of not-for-profit housing. The Survey of Housing Federations and Resource Groups and the Survey of CMHC Branch Offices asked respondents to comment on any particular innovations that have occurred, the factors encouraging innovation, and ways in which the FCHP could be enhanced to encourage innovation.

Resource groups identified several general approaches and many specific aspects of co-operative housing which they felt were important innovations in this housing sector. Respondents noted that the co-operative sector has been a leader in the provision of affordable housing and noted that the co-operative approach to resident involvement in management is being introduced in the non-profit and public sectors. The adult education program associated with the co-operative model has been widely acclaimed on an international level. Some respondents felt that the most important innovation was the provision of an alternative tenure form which allows for self-management and resident control. As well, respondents suggested that Canada has been able to develop a distinct sector capable of delivering and supporting the provision of housing at the community level.

Among the specific innovations associated with co-operative housing, most respondents noted the use of the ILM mechanism in the FCHP, the strong emphasis on special needs groups and income-mixing. These were also the three innovations mentioned most often in CMHC Branch comments on this question. Co-operative housing has evolved a commitment to meeting many types of special needs and fosters social integration of all groups in housing. Co-operatives have been able to provide housing with child care services for working parents, projects centered on the need of older women, seniors, and adult housing allowing for aging in place. Recently, the first fully-accessible project was developed by a co-operative, and the first co-operative without federal housing assistance has been built. Co-operatives in some areas have become involved with the special housing needs for people with AIDS, and the addressing of literacy problems. Several specific design innovations were also mentioned such as the provision of larger units with two bathrooms which allows two single-parent families to share accommodation and provide mutual support, triple loaded corridors to save on elevator costs, and energy conservation features. Co-operatives have also been active in conservation and environmental concerns such as recycling and composting within local communities.

Among the factors which encourage innovation in the co-operative sector, the most frequently noted were the strong sector organisation developed with funding for resource groups and organisations, the creativity of people involved in the sector, and the pressures for survival with limited budgets and the corresponding need to control costs. As well, the commitment of co-operatives to grass roots involvement, the concern to meet the needs of clients and members, and the social commitment of co-operatives were noted as contributing factors.

There were several suggestions for enhancement of the FCHP to encourage innovation in the sector. Several respondents suggested the need for incentives for special projects, flexibility in regulations for design and types of units, and provision of monies through Proposal Development Funding to explore innovative concepts. Some suggested that support for joint ventures with provincial governments and for demonstration projects would be useful. One suggestion was for a standing committee of CMHC and CHF representatives with a mandate to explore new approaches and examine ways to increase collaboration. The suggestion was made that reserves accumulated by co-operatives could be used to produce more co-operative housing.

These comments suggest that the co-operative sector perceives itself as being innovative in provision of housing in both a program sense and in project design. It is also clear that there is scope to enhance the innovative potential in the co-operative sector.

G. Summary

Co-operative housing residents under all programs appear to be extremely satisfied with their housing and living environments compared with other comparison groups. However, among the federal co-operative housing programs, residents of FCHP co-operatives seem to be the least satisfied.

When compared with their previous accommodation, co-operative housing residents are generally of the view that most aspects of their housing condition have improved since living in a co-operative. Again, FCHP residents were less likely to view their current housing as an improvement over their previous accommodation compared to residents of other programs.

The large majority of co-operative housing residents participate in some way in the operation and activities of the co-operatives. Only a small minority of residents reported either no involvement or very high levels of involvement and residents whose occupancy charges are geared to income appear to have the same level of involvement as other residents. Overall, most residents are satisfied with their level of participation.

Most residents perceive that they have gained some useful skills or experience as a result of their involvement in co-operative housing. The data suggest that this is a function of the level of effort and commitment residents devote to participating in co-operative housing activities. However, acquisition of such skills and experience could not be statistically correlated with the level of income-mix within co-operatives.

Although only a small number of co-operatives were studied in detail in the case studies, the findings indicate that a wide range of income-mixing is successful in these projects without polarisation of income groups. Income appears to be a less important concern than meeting the need for affordable housing and creating the atmosphere of community living in co-operatives. Social mixing is probably a more important issue for the co-operatives based on these case studies. The co-operatives studied include a diversity of social mixes of family types and special needs groups. In general, the case studies found the co-operatives were successfully integrating a diversity of household types with few if any tensions. The community spirit and sense of belonging to the co-operative seems to override other differences and creates the sense that everyone belongs to the same social group. Residents stress the role of income and social mixing in creating healthy communities.

The evidence on the community impacts of co-operative housing is somewhat mixed. The case study findings suggest that the priority in co-operatives is on strengthening community life within the co-operative. While co-operative residents make use of and participate in the life of the broader community, and, in some cases, residents outside the co-operative are encouraged to make use of facilities and activities within the co-operative, some co-operatives tend to be somewhat isolated from the surrounding community so that opportunities for community impacts are minimal.

VIII FEDERAL CO-OPERATIVE HOUSING PROGRAM DELIVERY

A. Introduction

Delivery of the Federal Co-operative Housing Program (FCHP) is accomplished through the combined efforts of CMHC delivery staff, the co-operatives themselves, and the co-operative housing federation and resource groups that provide consultative services to individual housing co-operatives.

This chapter examines three evaluation issues. Section B considers the effectiveness of the FCHP delivery by CMHC and the co-operative housing resource groups. Section C reviews the role and effectiveness of Proposal Development Funding in program delivery. Section D discusses the appropriateness and benefits of sector support contributions made by housing co-operatives funded under the FCHP.

These issues are examined based on the response to two surveys, namely, the Survey of Co-operative Housing Federations and Resource Groups and the Survey of CMHC Branches. Fourteen federations and eighty-one resource groups were surveyed. Responses were received from ten federations and fifty-one resource groups for an overall response rate of 63 per cent. The Survey of CMHC Branches included two sections, one to be completed by CMHC program delivery staff and the other for completion by the portfolio management staff. Thirty of CMHC's forty-nine Branch Offices have been actively delivering the FCHP. Responses were received from 67 per cent of the offices delivering the program. The survey questionnaires included opportunities for respondents to include written comments, and the highlights of these comments are summarised in Section E of this chapter.

B. Effectiveness of Program Delivery

The FCHP is generally delivered by CMHC though co-operative housing resource groups which act as consultants by providing their expertise and guidance to housing co-operatives that wish to establish a project. In general, these resource groups provide assistance in the development of proposals, development of the co-operative organisation, financial management of the project development phase, and property management in the first six months of occupancy. Some resource groups provide ongoing management services, administrative services and advice to established co-operatives as requested. The evaluation reviewed the role of resource groups in program delivery, the effectiveness of CMHC delivery, including the proposal selection process, and examined the factors contributing to effective program delivery.

Profile of Co-operative Housing Federations and Resource Groups

Before discussing activities and delivery effectiveness, this section presents a profile of the types, affiliations and size of federations and resource groups.

Based on responses to the Survey of Co-operative Housing Federations and Resource Groups, two-thirds are non-profit organisations under co-operative, community or employee control. About 20 per cent of those responding to the Survey identified themselves as co-operative housing federations. Nearly 8 per cent of all groups who responded to the survey identified themselves as privately-owned companies, while the remainder are some variety of co-operatives or subsidiaries of non-profit organisations.

Most of the resource groups were actively involved in co-operative housing development prior to 1985. As shown in Table 8.1, nearly 44 per cent were active prior to 1981, and 33.3 per cent became active between 1981 and 1985. Nevertheless, nearly 23 per cent of the groups who responded to the survey had become involved in co-operative housing since the introduction of the FCHP.

TABLE 8.1
RESOURCE GROUP PERIOD OF INVOLVEMENT WITH THE DEVELOPMENT OF CO-OPERATIVES

YEAR	PER CENT	n
Prior to 1981	43.8	21
1981 - 1985	33.3	16
After 1985	22.9	11
ALL GROUPS	100.0	48

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Tables 8.2 and 8.3 show that over 76 per cent of resource groups are members of the Co-operative Housing Federation and that over 73 per cent are also members of a regional/ provincial co-operative and/or resource group organisation. Resource groups in most provinces are affiliated with the Co-operative Housing Federation.

The percentage of resource groups directly affiliated with CHF is significantly lower in Québec where more resource groups exist than in any other province. On the other hand, over 80 per cent of resource groups in Québec are associated with a regional and/or provincial organisation. Some of these organisations are in turn associated with CHF.

TABLE 8.2
AFFILIATIONS OF RESOURCE GROUPS

	PER CENT OF RESOURCE GROUPS ALL	QUÉBEC
A member of the Co-operative Housing Federation (CHF)	76.2	43.5
A member of a regional/provincial co-operative and/or resource group organisation	73.3	80.8
In the process of becoming a member of CHF	0.0	0.0
In the process of becoming a member of a regional/provincial co-operative and/or resource group organisation	5.0	3.9
Other	5.0	3.8

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

TABLE 8.3
RESOURCE GROUPS AFFILIATED WITH CHF BY PROVINCE

PROVINCE	PER CENT AFFILIATED TO CHF	n
Newfoundland	100.0	1
Nova Scotia	75.0	4
New Brunswick	100.0	2
Québec	43.5	23
Ontario	81.8	11
Manitoba	33.3	3
Alberta	100.0	1
British Columbia	100.0	5
ALL	76.2	50

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Most groups have comparatively few full-time staff. More than half have less than four full-time professional staff and about three-quarters have less than three full-time support staff (Table 8.4). About half of the groups employ part-time professional staff and a third have part-time support staff. Forty-seven per cent of the groups employ the services of firms or individuals on a consultant basis, a quarter having three or more consultants. Use of consultant services allows for flexibility in staffing for project development and permits groups to contract specialised skills required.

TABLE 8.4
FEDERATION/RESOURCE GROUP STAFF SIZE

NUMBER OF STAFF	FULL-TIME PROFESSIONAL STAFF GROUPS	FULL-TIME PROFESSIONAL STAFF PER CENT	FULL-TIME SUPPORT STAFF GROUPS	FULL-TIME SUPPORT STAFF PER CENT
0	5	8.3	18	30.0
1	9	15.0	16	26.6
2	12	20.0	10	16.7
3	9	15.0	10	16.7
4 or more	25	41.7	6	10.0
ALL GROUPS	60	100.0	60	100.0

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

The most common types of professionals employed are adult educators, social workers, community development workers and urban planners. Twenty-eight per cent of responding groups had architects on staff, 17 per cent employ accountants, 10 per cent employ property managers, and 5 per cent employ lawyers.

Activity Levels and Types of Services Provided

Table 8.5 shows the activity levels of co-operative housing federations and resource groups in terms of the number of housing co-operatives developed and the number provided with support. This includes past activity since the group began providing services to co-operatives and current activity ongoing at the time of the survey.

Since beginning to provide services to co-operatives, the average resource group has been involved with the development of 22 housing co-operatives for an average of 751 co-operative housing units. Resource groups, on average, have also provided ongoing support to 10 existing housing co-operatives for an average of 488 co-operative housing units. Resource groups have also been involved with co-operatives which were not developed. On average, a resource group has provided services to 17 housing co-operatives that were not developed. Co-operative housing federations have, on average, provided services to 20 developing co-operatives (2,193 units) and to

36 existing co-operatives (3,622 units) since the federation was founded.

Currently, a resource group is serving an average of 5 housing co-operatives being developed and providing support to an average of 9 existing co-operatives. Federations are serving an average of 10 developing co-operatives and 39 existing co-operatives. More than three-quarters of the organisations are involved in developing six or fewer co-operatives, and 70 per cent are developing 100 units are less. Nearly half of the organisations are providing services to six or fewer co-operatives. These data suggest small- to medium-scale operations, although a small proportion of the groups are providing services to thirty or more housing co-operatives.

TABLE 8.5
SCALE OF PAST AND CURRENT ACTIVITY
(PERCENTAGE OF FEDERATIONS AND RESOURCE GROUPS BY NUMBER OF PROJECTS AND NUMBER OF UNITS DEVELOPED AND EXISTING)

	ALL PAST ACTIVITY		CURRENT ACTIVITY	
	DEVELOPED	EXISTING	DEVELOPED	EXISTING
PROJECTS				
0 - 6	18.4	45.3	78.0	47.1
7 - 30	59.2	41.5	20.0	39.2
Over 30	22.4	13.2	2.0	13.7
Total	100.0	100.0	100.0	100.0
Average Number/				
Resource Group	22	10	5	9
Federation	20	36	10	39
UNITS				
0 - 100	17.0	35.3	69.4	38.8
101 - 500	44.7	31.2	20.4	36.7
Over 500	38.3	33.5	10.2	24.5
Total	100.0	100.0	100.0	100.0
Average Number/				
Resource Group	751	488	251	204
Federation	2,193	3,622	1,385	2,680

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Not all groups responding to the survey are currently involved with the delivery of housing co-operatives under the FCHP or providing services to existing housing co-operatives. The data show that 90 per cent of these groups are currently serving co-operatives being developed and 80 per cent are providing support services to existing housing co-operatives.

The survey compiled detailed information on the types of services provided by co-operative housing federations and resource groups. As shown in Table 8.6, the range of activities undertaken is very wide. Overall, resource groups and federations spent up to 60 per cent of their staff time on development services (including co-operative organisation and project development), 25 per cent on ongoing services such as management and administration for co-operatives, less than 9 per cent on co-operative sector activities, and less than 5 per cent on other activities. Development services relate to the organisation of the co-operative and development of the project and are financed through Proposal Development Funding (and subsequently capitalised in the project mortgage financing). At least 90 per cent of the responding groups offered all the membership development services listed, except staff recruitment which was offered by 86 per cent. Seventy-three per cent of groups offer construction tendering services and 65 per cent offer construction supervision. All other aspects of property development are offered by 86 to 94 per cent of the groups.

Services to existing co-operatives include management and financial services which are paid for annually out of project operating revenue. Over 90 per cent of groups provide assistance at meetings, for member education and trouble shooting. Co-operative buying, staff management, secretarial services, and property appraisal are all offered by less than half the resource groups. Eighty-seven per cent of groups provide basic bookkeeping and financial management services. Other financial services are offered by about half of the groups.

TABLE 8.6
CO-OPERATIVE HOUSING FEDERATION AND RESOURCE GROUP SERVICES

	GROUPS OFFERING SERVICE %
DEVELOPMENT SERVICES	
Membership Development	
Member education and training	100
Organising co-operative corporations	94
Developing by-laws and occupancy agreements	98
Recruiting members	98
Co-ordinating move-ins	96
Recruiting and training staff (if applicable)	86
Property Development	
Locate site/negotiate property acquisition	92
Facilitate retention of design services	90
Obtain government development approvals and permits	86
Tendering and negotiating construction contracts	73
Supervise construction	65
Controlling project budget and schedule/accounting for receipts and expenses	94
Reporting to funding agency	90
SERVICES TO EXISTING CO-OPERATIVES	
Management and Administration Services	
Member education and training	93
Mediation services/advice for co-operative members (trouble-shooting)	94
Training for employees of housing co-operatives	63
Setting up property management systems	71
Insurance plans	57
Building/property appraisal	34
Replacement Reserve consultation	78
Planning/development/provision of maintenance	67
Co-operative buying programs/bulk purchasing of supply	29
Secretarial services	47
Meetings assistance and chairing/committee support	93
Staff management	45
Financial Services	
Bookkeeping and financial management	87
Investment plans and funds	48
Other financial services	52
GENERAL CO-OPERATIVE SECTOR ACTIVITIES	
Public/community relations for co-operatives	91
Third sector advocacy	92
Liaison with other co-operative federations and groups	89
Publications/newsletter/service directories/yellow pages	45
Housing referral services	66
Resource centres and libraries	58
Legal information, advice referrals and representation	61

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Most groups are involved in co-operative housing sector activities. Over 90 per cent are active in public and community relations and sector advocacy. Sixty-one per cent are involved with legal information, referral and representation. Two-thirds provide housing referral services, and 58 per cent offer resource centres and libraries.

Effectiveness of Federations and Resource Groups in Program Delivery

Co-operative housing federations and resource groups perform many functions and a variety of roles in the delivery of co-operative housing. As well, many different styles of delivery exist with respect to the relationship between resource organisations and individual housing co-operatives. For example, some co-operatives are organised well in advance of project development and may be involved throughout the construction phase of new buildings. In other cases, project development may occur prior to formation of the housing co-operative, and the organisation and training for co-operative management may continue after the project is occupied. Although individual circumstances vary, the goal in resource group delivery of co-operative housing is to facilitate the development and management of co-operative housing projects by the members of the co-operative.

An indicator of the performance of resource groups in developing housing co-operatives is the timing of individual co-operative involvement in the co-operative and of termination of resource group development services to the co-operative. In the survey, resource groups were asked to assess their experience over the previous three years with respect to involvement of co-operatives in managing the project and with respect to termination of their development services. Table 8.7 shows the proportions of respondents who identified when these events usually occur. Three-quarters reported that the co-operatives are usually involved in management of their project before the Interest Adjustment Date (IAD), and a further 28.1 per cent said the involvement began at the IAD. Only 6.5 per cent said that the involvement usually occurs between six to twelve months after the IAD. These data suggest that resource organisations are usually effective in involving the co-operatives in the projects that they develop.

TABLE 8.7
TIMING OF CO-OPERATIVE INVOLVEMENT AND WITHDRAWAL OF RESOURCE GROUP SERVICES
(PERCENTAGES OF RESOURCE GROUPS)

TIME PERIODS	CO-OPERATIVES USUALLY INVOLVED %	RESOURCE GROUP USUALLY WITHDRAWS %
Before IAD	74.4	0.0
At IAD	28.1	0.0
Less than 6 months after IAD	11.8	10.8
6-12 months after IAD	6.5	51.4
More than 12 months after IAD	0.0	58.5

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

The timing of withdrawal of resource group services is often governed by the use of full-service contracts which include provision for on-going services for a period of six months after occupancy of a project. To the extent that development is associated with these service contracts, it would be expected that most resource groups would retain a service involvement for at least six months after the IAD. The survey response shows that only 10.8 per cent of respondents reported their services usually terminating less than six months after the IAD, and 51.4 per cent reported the end of development services between 6 and 12 months. However, 58.5 per cent said that they usually continue to provide development services for 12 months or more after the IAD. Twenty-four per cent of respondents indicated that they provide ongoing management services after the development phase is completed.

These data could have several interpretations. They may indicate that co-operatives require longer-term involvement of resource groups beyond the usual development phase and are not equipped to assume full responsibility for their housing projects. Comments received suggested that in some projects, market prices of units are making it difficult to enroll members until close to move-in dates and that training and education of these members occurs after project occupancy. In these cases, the co-operatives would not be ready to assume management responsibility until much later than under previous co-operative programs. Alternatively, the findings may suggest that resource groups are undertaking more rigorous management training and member development to ensure that co-operatives are well-equipped for self-management. Whatever the circumstances, it appears that resource groups are involved with the co-operatives over long periods of time from initial project planning to complete self-management.

CMHC branch delivery staff were asked to rate the effectiveness of resource groups active in their areas. Table 8.8 shows the proportions of CMHC branch responses rating resource groups as very effective or somewhat effective by selected activities. For each activity, the balance of the percentages indicate that some improvement in these areas is needed.

TABLE 8.8
CMHC BRANCH DELIVERY OFFICES RATING RESOURCE GROUPS AS EFFECTIVE

ACTIVITY	**PER CENT**
BRANCHES RESPONDING	
Membership development	70
Property development	55
Management and administrative services	60
Financial services	50
Co-operative sector activities	70

SOURCE: Survey of CMHC Branch Delivery Offices, Program Evaluation Division, CMHC, 1990.

Seventy per cent of CMHC branch delivery staff rate resource groups as effective (including very effective or somewhat effective) in membership development and co-operative sector activities, 55 per cent said resource groups were effective in property development, and 60 per cent said the groups were effective in management and administrative services. Fifty per cent of the Branch respondents said that resource groups were effective in the area of financial services.

Effectiveness of CMHC in Program Delivery

CMHC branch delivery offices are involved in a range of activities associated with the delivery of the FCHP including project selection, commitment of funds, loan advancing, inspection, administration of the projects funded, and general information.

Both the CMHC branch delivery offices and resource groups were asked to assess CMHC effectiveness with respect to a number of delivery activities based on the past three years of experience. Table 8.9 illustrates the respondent ratings of CMHC delivery effectiveness. CMHC branch delivery respondents rated CMHC as highly effective in all delivery activities.

TABLE 8.9
RESPONDENT RATINGS OF CMHC DELIVERY EFFECTIVENESS

ACTIVITY DELIVERY	PER CENT OF RESPONDENTS RATING ACTIVITY AS EFFECTIVE: CMHC BRANCH DELIVERY OFFICES	PER CENT OF RESPONDENTS RATING ACTIVITY AS EFFECTIVE: RESOURCE GROUPS
Information and procedures	100	75
Advancing monies	100	76
Assessing project viability	90	74
Final design approval	95	80
Construction inspection	95	84
Setting MUP's	90	59
Appraisal procedures	95	73
Approval process	90	61
Information on market conditions	90	73

SOURCE: Survey of CMHC Branch Delivery Offices, and Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Resource group ratings of CMHC effectiveness were consistently lower than the CMHC branch office ratings. Construction inspections rated highest with 84 per cent of resource groups feeling that CMHC was effective in this area. Resource groups felt that CMHC is least likely to be effective in the areas of the approval process (61 per cent said CMHC was effective), and establishing maximum unit prices (59 per cent said CMHC was effective). About a third of resource groups felt that CMHC had not been effective in setting MUP's. There are clearly differences of perspective in the various aspects of CMHC delivery of the FCHP.

Overall, both CMHC and resource groups were rated as generally effective in delivery of co-operative housing about seventy per cent or more of the time.

C. Proposal Development Funding

Proposal Development Funding (PDF) under Section 76 of the NHA (formerly known as Start-Up and funded under Section 37.1 of the NHA) is provided to co-operatives developing proposals under the co-operative housing program. The maximum PDF amount was $75,000 per project until October 1989 when it was increased to $500,000. The actual amount of each PDF loan provided is determined by CMHC taking into consideration the size and complexity of the proposed project. Successful projects which eventually result in selection for a commitment under the co-operative housing program must repay the interest-free PDF loan upon disbursement of the first mortgage loan advance, which is subsequently capitalised into the first mortgage loan. If a proposal to develop a housing co-operative is not accepted within three years, the PDF loan is forgiven. The evaluation examined the role of PDF in supporting successful projects, the adequacy of the amounts provided, and the extent of PDF forgiveness.

Proposal Development Funding (PDF) loans are the main source of development funding for co-operative housing until mortgage funds are received. Sixty per cent of CMHC branch delivery staff and 88 per cent of resource group respondents reported that PDF funding was essential and that co-operatives could not be developed without the funding. An additional 35 per cent of CMHC respondents and 8.3 per cent of resource groups felt that PDF was somewhat important and that co-operative development would be impeded without the funding. No respondents from either the CMHC branches or resource groups reported that PDF was not important and that co-operative development would proceed anyway. There is clear agreement, then, between CMHC and resource group delivery staffs about the important role of PDF in co-operative housing development.

At the same time, some aspects of the PDF financing are seen as impediments to delivery of the FCHP. Table 8.10 indicates the features of PDF that are judged to be limitations to effective project development by CMHC branch delivery offices and resource groups.

TABLE 8.10
PROPOSAL DEVELOPMENT FUND EFFECTIVENESS

	PER CENT RATING PROGRAM FEATURE AS LIMITATION	
PROGRAM FEATURE	CMHC BRANCH DELIVERY OFFICES	FEDERATION/RESOURCE GROUPS
Sufficiency of budget	35	56
$75,000 maximum	20	54
Application process	10	26
Excess paperwork	5	12
Loan repayment terms	0	4
PDF forgiveness terms	0	6
Phasing of disbursements	5	50
Overall ratings		
Effective	70	23
Somewhat effective	25	49
Not effective	5	18
Don't Know	0	10

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Survey of CMHC Branch Delivery Offices, Program Evaluation Division, CMHC, 1990.

Budget limitations were cited by resource groups and CMHC branches as the major limitation of the PDF program. Thirty-five per cent of the branches and 56 per cent of resource groups consider budget sufficiency as a limitation of the program. The $75,000 maximum was cited as a limitation by 54 per cent of resource groups and 20 per cent of branches. Resource groups expressed concerns about the phasing of PDF disbursements, although comments on the questionnaires were usually centered on loan limits, not phasing. CMHC staff and resource groups are in agreement on the basic effectiveness of PDF in the delivery process, although the CMHC delivery staff were more positive overall than the resource groups.

With regard to the increased loan maximum under PDF (raised to $500,000 in 1989), only 2 per cent of resource groups felt that the new amounts would be too low (mainly for the larger projects), 58 per cent said it would be sufficient and 38 per cent that it would be more than sufficient. Among CMHC respondents, 85 per cent felt the increased amounts would be more than sufficient, and 15 per cent that they would be sufficient. The increased maximum PDF loan has, therefore, addressed one of the major limitations of this funding for co-operative housing development.

The Survey of Co-operative Housing Federations and Resource Groups asked respondents for general comments about the PDF and if the present requirements for the development of proposals for PDF are reasonable. About half of the respondents who commented felt that the requirements for proposals were reasonable and that they had experienced no difficulties provided that the dollars were available at the CMHC branch office. Some people noted that there were insufficient budgets available. Other respondents noted that the approval process was often too long, and that some CMHC staff expected all requirements to be met at the beginning before any money was advanced. People felt that the dollars should come faster and earlier, and the cheques should be issued more promptly. There was a suggestion that an accountable advance would be more appropriate than payments on overdue accounts. It was suggested that there should be more flexibility in criteria for advancing monies, for example, some delays occur while CMHC approves co-operatives' incorporation documents. The requirements for each phase of PDF could be more clearly defined, and larger deposits for land acquisition could be helpful. Regarding the new limit on PDF amounts, it was suggested that the larger amount could be too limited for larger projects. Several respondents noted that development often takes two to three years, and that the provision of PDF prior to the year of commitment is required.

CMHC administrative data[1] show that from 1986 to 1990, some $16.2 million was loaned under the PDF program for 491 projects, an average of $33,000 per project. For the same time period, $1.06 million of these loans for 91 projects were forgiven because the projects did not proceed. Therefore, total forgiveness under the program amounts to 6.5 per cent of the total expenditure, and 18.5 per cent of the projects involved did not proceed to development. The balance, ninety-four per cent, of PDF funding was recoverable when capitalised into project capital costs and mortgage financing. These data suggest that the administration of PDF is efficient in the selection of PDF applications likely to realise co-operative housing development.

D. Sector Support Contributions

Under the FCHP, co-operatives may contribute a voluntary amount of up to one per cent of the projects' eligible capital costs to the Co-operative Housing Federation or other association of housing co-operatives. Although this amount can be capitalised into the ILM mortgage loan, it is not eligible as a cost upon which federal contributions are determined. Further, confirmation must be obtained that a majority of future residents in the co-operative have approved the contribution. These contributions may have a number of benefits for co-operatives including the development of sector infrastructure and training/development for members.

Table 8.11 presents sector support contributions by province between 1986 and 1989. In each year between 1986 and 1989, sector support contributions in excess of $1.6 million have been made representing a total of $7.6 million over four years. Although contributions may be directed to other co-operative housing organisations, in fact all funds were directed to CHF. Unused contributions, collected each year by CHF, are placed in an endowment fund. The endowment fund has grown from $1.7 million at the end of 1988 to $2.5 million at the end of 1989. A note to the financial statement in CHF's latest annual report reads: "The Endowment Fund represents sector support contributions in excess of 1/2 of 1 per cent of individual co-operative housing project capital costs. The principal portion of this Fund may only be encumbered or spent by resolution of the general membership. The interest earned by the Fund may be used in the general operations of the Federation".

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[1] PDS (Program Delivery System), CMHC, 1990.

TABLE 8.11
SECTOR SUPPORT CONTRIBUTIONS (IN $)

PROVINCE/ TERRITORY	1986	1987	1988	1989
Newfoundland	-	23,663	-	0
Prince Edward Island	16,749	20,356	16,842	0
Nova Scotia	123,398	151,730	82,758	34,721
New Brunswick	23,413	51,284	38,696	31,855
Québec	320,976	466,493	622,830	435,052
Ontario	665,855	740,884	635,014	530,997
Manitoba	88,462	78,564	84,430	42,836
Saskatchewan	5,000	13,368	-	-
Alberta	62,215	66,394	57,863	174,500
British Columbia	454,154	572,968	489,395	338,857
Northwest Territories	-	-	-	-
Yukon	-	-	-	14,814
CANADA	1,762,222	2,185,704	2,027,828	1,603,632

SOURCE: Program Planning and Analysis Division, CMHC, 1990.

Resource Group Survey respondents were asked their opinions of the advantages and disadvantages of sector support contributions. Table 8.12 summarises the responses to questions about the impacts and benefits of these contributions. Ninety-three per cent or more of respondents felt that sector support contributions were beneficial in assisting the development of sector services for co-operatives, and close to 90 per cent in providing some autonomy from government funding sources and in linking individual co-operatives to the larger co-operative housing sector. Over seventy-seven per cent felt that they create a predictable source of funding, and over seventy per cent felt that they are useful for supporting lobbying activities for the co-operative sector and giving individual co-operatives a voice in the sector. Only small proportions of respondents felt that they create unrealistic expectations of services (14 per cent) or created an unreasonable financial burden on individual co-operatives (8.5 per cent). A small proportion of respondents said they did not know the effects of these contributions (less than 10 per cent on each of the questions).

TABLE 8.12
FEDERATION/RESOURCE GROUP OPINION ON THE EFFECTS OF SECTOR SUPPORT CONTRIBUTIONS

EFFECT	AGREE %	DISAGREE %	DON'T KNOW %
Creates predictable source of funding	77.2	12.3	10.5
Provides autonomy from government	87.7	8.8	3.5
Assists service development	93.2	1.7	5.1
Supports lobbying activities	71.2	20.3	8.5
Links co-operatives to sector	88.1	10.2	1.7
Gives co-operatives voice in sector	69.0	24.1	6.9
Creates unrealistic expectations	14.0	78.9	7.0
Unreasonable financial burden	8.5	91.5	0.0

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

Regarding the amounts that housing co-operatives are permitted to contribute for sector support, 46 per cent of the respondents felt that the amounts are very appropriate, and 48 per cent felt that they are somewhat appropriate. About 5 per cent felt that they are not appropriate. These data suggest strong support exists within the co-operative sector for sector support contributions. The funding is perceived as providing benefits to the individual co-operatives as well as to the sector as a whole without creating a burden on the co-operatives or the sector support groups.

In comments about sector support funding, respondents stressed the importance of these funds such as to develop local federations of co-operatives and ongoing support to the sector. Some suggested that co-operatives should have a choice of contributing to CHF or to a local federation because sometimes local organisation support is more important to these co-operatives than the sector as a whole. Some respondents suggested that co-operatives were not adequately informed about how the funds were being used and that CHF should have a brief outline of the services made available with this funding. It was also suggested that monies from the funds should be reinvested in the development of new co-operatives through land banking, project development, short-term and bridge-financing.

The two issues most often raised had to do with the question of mandatory contributions and the designations of these amounts as eligible project costs. Almost all respondents felt that the sector support contributions should be mandatory rather than optional. With regard to approval from the membership, most respondents felt that the approval of the

Board (or by the incorporating Board of Directors) should be sufficient to make this decision on behalf of future members ("in the same way that they can make decisions on hundreds of other issues"). Secondly, most respondents suggested that these contributions should be included as a legitimate operating expense when determining annual assistance. Another suggestion was that the amounts be taken from the first mortgage advance. Some people felt that the sector support funding was more cost-effective to co-operatives than the 6 per cent going to the MIF and the Stabilisation Fund, and that it should be included as a capital item. A Québec Group suggested that sector support should be extended to the co-operatives developed under the provincial program, whereas a comment from a western group noted that adding one per cent on capital costs could impact on project viability.

E. Improvements to the FCHP, its Delivery and Operation

Respondents to the Survey of Co-operative Housing Federations and Resource Groups and to the Survey of CMHC Branches were asked several general open-ended questions about ways to improve the FCHP, its development, delivery and operation. This section summarises the comments received.

Resource groups made various suggestions for ways to improve the FCHP. The four main concerns were program budgets, the applicability of the program in smaller communities and rural areas, required contributions to the MIF and the Stabilisation Fund, and liaison with CMHC field offices.

Several budgetary concerns were noted but the primary concern was with the need for increased budgets for the FCHP. The availability of additional units would assist groups in developing more co-operative housing and allow for viable-sized projects. Some groups noted that they had co-operatives waiting for two to three years because of inadequate program budgets. The planning process could be assisted by CMHC Branches having budgets for a five-year period rather than on an annual basis. A suggestion was made that a change to a capital grant approach in lieu of annual operating subsidies would improve program delivery.

Many groups noted that the FCHP works best in larger urban centres but that it is difficult to make the program workable in smaller centres and rural areas. It was noted that residents in these areas are not accustomed to paying high housing costs and they would be unwilling or unable to pay charges set at "market" rent levels. It is also difficult to determine market rents in these types of communities because of lack of information or of equivalent rental units for comparison.

Several respondents raised concerns about the amounts charged for the MIF and Stabilisation Fund contributions and it was suggested that these contributions be reduced. At the same time there was wide support for the sector support contributions and many respondents felt that these should be mandatory.

A wide range of comments were made about the need for improved liaison between CMHC and resource groups. Some respondents suggested that CMHC should establish a formal committee for regular, routine meetings with resource groups. CMHC staff also identified this need in responses to the CMHC Branch survey. Several people noted that CMHC should refer co-operatives to resource groups when the co-operative begins to have difficulties to allow for early intervention rather than allowing problems to escalate for two or three years. Some respondents felt that CMHC should not provide services free to co-operatives but should refer the co-operatives to resource groups instead. As well, some people suggested that CMHC should insist that co-operatives receive a full-service package from resource groups, and that only accredited groups should be allowed to provide services. Most resource groups seem to favour closer, collaborative working relationships with CMHC where CMHC staff pick up the phone to discuss problems and play a more facilitating and less bureaucratic role.

Other comments dealt with broader issues in the operation of co-operative housing. A recurring theme in both resource group and CMHC Branch comments was the need for improved education and training of co-operative members and boards of directors. About a third of the resource groups' comments suggested that education expenses should be included in co-operatives' operating budgets and that amounts should be increased because educated members make better decisions. There were suggestions for workshops for co-operative members on the relationship between CMHC, individual co-operatives, federations and resource groups. CMHC Branches suggested that CMHC provide training on what CMHC requires of co-operatives and resource groups, that CMHC delivery staff play a greater role in the co-operative education process by working with CHF to provide training on program guidelines and procedures, and that courses be mandatory for new co-operative board members prior to commitment and move-in. As well, training materials are required for new resource groups to assist them in developing services. Therefore, resource groups are concerned about improving education and ensuring that co-operatives allow sufficient funding for member education and training, while CMHC Branches have particular concerns about improving the functioning of the co-operative sector including resource groups, and see the need for improved understanding of the program, CMHC guidelines and procedures and the role of CMHC in the program.

The comments received from resource groups and CMHC delivery staff suggest that delivery of co-operative housing is working well in most instances and relations between CMHC delivery staff and resource groups appear to be quite positive. The thrust of the suggestions were for ways to improve the working relationships to better deliver and operate the program such as through improved liaison, communication and understanding of the roles of the various agencies involved.

F. Summary

The co-operative delivery sector is comprised of 14 federations and 81 resource groups. Most of these are non-profit organisations under community, co-operative or employee control. Less than ten per cent were identified as privately-owned companies. Three-quarters of these groups were involved in co-operative housing development prior to introduction of the FCHP in 1986, and 76 per cent are members of CHF and 73 per cent are also a member of a provincial or regional co-operative federation. Québec has by far the largest number of resource groups and less than half of these are affiliated with CHF.

Most resource groups and federations are small in terms of staff size having fewer than 3 full-time professional and 3 full-time support staff. Based on current activity, resource groups provide services to 5 developing and 9 existing co-operative projects. Federations, whose activities are somewhat different, are involved with 10 developing and 39 existing co-operative projects. Federations and resource groups provide a wide range of development, management and financial services as well as being involved in general, co-operative sector activities.

Membership development, co-operative sector activities and property development services were rated as effective most often by CMHC delivery staff. Financial services provided by resource groups were rated as effective by half of CMHC branches. Based on their responses, resource groups appear to be effective in involving housing co-operatives in the development and management of their projects. Survey data show that more than half the resource groups are usually involved in providing development services to co-operatives for over a year after the project Interest Adjustment Date.

Over 90 per cent of CMHC Branch delivery staff rate their activities in delivery of the FCHP as effective. Resource groups also rated CMHC as effective in most areas, although to a somewhat less extent than CMHC Branches. Resource groups felt that CMHC is least likely to be effective in the areas of the approval process (61 per cent said CMHC was effective), and establishing maximum unit prices (59 per cent said CMHC was effective).

Resource groups and CMHC staff were in agreement that co-operative housing development would not proceed without provision of PDF loans. As well, three-quarters of resource groups and 95 per cent of CMHC staff rated the PDF program as effective, and both CMHC staff and resource groups feel that the increased maximum amounts will be sufficient. The main concerns raised about the PDF financing related to the sufficiency of the overall budget and the former $75,000 maximum. About a quarter of resource groups also raised concerns about the application process, and some questioned the amount of paperwork involved.

CMHC administrative data show that from 1986 to 1990, some $16.2 million was loaned under the PDF program for 491 projects, an average of $33,000 per project. For the same time period, $1.06 million of these loans for 91 projects were forgiven because the projects did not proceed. Therefore, total forgiveness under the program amounts to 6.5 per cent of the total expenditure, and 18.5 per cent of the projects involved did not proceed to development. The balance, ninety-four per cent, of PDF funding was recoverable when capitalised into project capital costs and mortgage financing. These data suggest that the administration of PDF is efficient in selection of PDF applications likely to realise co-operative housing development.

Between 1986 and 1989, sector support contributions have totalled $7.6 million. All contributions have been directed to CHF. Unused contributions in each year have been set aside in an endowment fund. Its present value at the end of 1989 was $2.5 million.

Ninety-four per cent of resource groups felt that the amounts contributed by housing co-operatives for sector support were appropriate. Eighty per cent or more felt that these contributions have benefits such as providing some autonomy from government funding, linking housing co-operatives to the sector, and assisting development of sector services for co-operatives. Less than ten per cent of respondents felt that these contributions placed an unreasonable burden on co-operatives, and only 14 per cent felt they created unrealistic expectations of services. Some resource group respondents felt that these contributions should be mandatory rather than optional, and some suggested that they be considered as eligible operating expenses in determination of annual assistance.

Some respondents suggested that co-operatives were not adequately informed about how the funds were being used and that CHF should have a brief outline of the services made available with this funding. It was also suggested that monies from the funds should be reinvested in the development of new co-operatives through land banking, project development, short-term and bridge-financing.

Both CMHC Branches and resource groups commented on the need for improved liaison between each other in delivery of the program. Some respondents suggested a formal committee with regular meetings. In some instances, resource groups seem to favour a closer, more collaborative working relationship with CMHC Branches. Other groups suggested that CMHC should require full-service packages from resource groups, and that only accredited groups should be allowed to provide services. At the same time, some groups noted that CMHC should not be providing services free to co-operatives but should refer the co-operatives to the resource group. Comments received suggest that program delivery is working well, and focused on ways to improve working relationships to better deliver the program by increased understanding of the roles of the various agencies involved.

CMHC Branches suggested that CMHC provide training on what is required of co-operatives and resource groups and that CMHC work with CHF to develop training on program guidelines and procedures to promote understanding of CMHC's role in the program. About a third of the resource groups suggested that education expenses be included in co-operatives' operating budgets and that amounts currently expended be increased to improve member decision-making skills. As well, training materials are required for new resource groups to assist them in developing services.

IX CO-OPERATIVE HOUSING MANAGEMENT

This chapter examines management practices in co-operative housing and analyses the performance of these management practices. The chapter begins by describing the characteristics of management found across the federal co-operative housing programs. The second section reviews the management of the physical condition of the stock, while the final section provides assessments of the overall effectiveness in managing the portfolio. The physical condition of the co-operative housing stock is discussed in Chapter X.

Findings presented in this chapter are drawn principally from the survey of co-operative housing managers/coordinators commissioned for the evaluation.

A. Management Characteristics

By its nature, co-operative housing is owned and operated collectively by all of the members for its members. However, a variety of management approaches can operate within this broad definition. Some co-operatives involve its residents directly in all aspects of the management associated with the day-to-day running of the co-operative. Alternatively, some co-operatives hire paid management staff or contract out some of the day-to-day management work to outside groups. This section examines the types of management approaches housing co-operatives use and reviews a number of selected management approaches in several specific areas.

Table 9.1 provides a general overview of the frequency with which different management approaches are found in housing co-operatives for each program. A majority of co-operatives in all of the federal co-operative housing programs are managed directly by the residents on a voluntary (unpaid) basis. In total, 72.2 per cent of FCHP co-operatives, 73.5 per cent of Section 95 co-operatives and 74.8 per cent of Section 61 co-operatives use this approach, compared to only 45.1 per cent of co-operatives under the F/P Non-profit Housing Program.

In general, between 27.0 per cent and 31.5 per cent of co-operatives funded under the three federal co-operative housing programs have a paid manager. These co-operatives are fairly evenly divided between co-operatives having a part-time paid manager and co-operatives with a full-time paid manager. A major difference found in F/P Non-profit co-operatives is that a majority of these projects have a full-time paid manager (57.8 per cent). Other forms of co-operative housing management are generally much less frequently used. Some co-operatives contract-out management work to federations, resource groups or private management firms. One exception is found under the FCHP where 18.7 per cent of FCHP co-operatives contract-out management work to co-operative housing resource groups. This is likely a part of the work resource groups perform in initially developing co-operatives. Often, part of their role is to provide management services for an initial six months to one year after the interest adjustment date (see Chapter VIII).

TABLE 9.1
MANAGEMENT APPROACHES FOUND IN HOUSING CO-OPERATIVES

	PER CENT			
	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Full-time paid manager	14.3	14.7	14.8	57.8
Part-time paid manager	12.7	14.4	16.7	20.0
Residents on a volunteer basis	72.2	74.8	73.5	45.1
Private management contractor	9.3	8.6	8.5	3.7
Co-operative federation contractor	3.6	0.0	1.7	0.0
Co-operative resource group contractor	18.7	3.8	3.6	10.4
Other	7.0	6.2	8.0	9.6

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

The incidence of housing co-operative projects employing paid professional managers is overwhelmingly higher in larger co-operatives.

Table 9.2, which shows the number of units managed by management approach, indicates that the management of larger portfolios is more likely to be contracted-out to paid managers. Full-time paid managers manage the largest number of units ranging from 69.1 units for FCHP co-operatives, 78.6 units for Section 95 co-operatives and 109.6 units for Section 61 co-operatives. Part-time paid managers and private management contractors manage smaller unit portfolios. Resident volunteers, co-operative federation contractors and resource group contractors have still smaller portfolios of between 20 and 30 units. Resident volunteers under Section 61 are an exception managing an average of 37.4 units. Unit portfolios for managers of F/P Non-profit co-operatives are similar to unit portfolios for co-operative housing programs; however, managers or the public housing portfolio have substantially larger unit portfolios under their administration, reflecting clear differences in management approach. Under public housing, managers are either responsible for larger projects or have multi-project portfolios on possibly more than one site. Co-operative managers typically oversee a smaller number of units which are usually located on one site.

TABLE 9.2
AVERAGE NUMBER OF UNITS MANAGED BY MANAGEMENT APPROACH

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT	PUBLIC HOUSING
Full-time paid manager	69.1	109.6	78.6	64.7	N/A
Part-time paid manager	36.4	57.2	44.5	24.9	N/A
Res. on a volunteer basis	29.3	37.4	26.1	30.5	N/A
Private mgmt contractor	45.2	43.7	62.5	25.0	N/A
Co-op federation contractor	21.8	0.0	23.9	0.0	N/A
Co-op res. group contractor	25.1	27.5	29.7	36.9	N/A
Other	36.8	71.4	40.9	56.2	N/A
ALL	34.5	47.0	36.8	48.2	162.3

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990; AGRSHAG, Program Portfolio Management Division, CMHC, 1990; and the Evaluation of the Public Housing Program, Program Evaluation Division, CMHC 1990.

Table 9.3 outlines the combined years of property management experience for paid managers of co-operative housing. Paid property managers of co-operative housing, when compared to public housing managers have a similar level of experience. In addition, the extent of experience is greater for the older programs. The FCHP, with less than 5 years of operation has paid managers with 5.7 years of experience. FCHP paid managers have acquired over 4 years experience within co-operative housing programs generally. Section 95 and F/P Non-profit co-operative paid managers both have 7.5 years of experience; however Section 95 paid managers have greater experience within co-operative housing programs. Section 61 paid managers have 11.0 years of experience with 7.3 of these within co-operative housing programs generally.

TABLE 9.3
YEARS OF PROPERTY MANAGEMENT EXPERIENCE FOR PAID MANAGERS (AVERAGE)

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT	PUBLIC HOUSING
Years managing this co-op	2.0	4.9	3.6	2.6	-
Years managing co-op, excluding this co-op	2.3	2.4	2.1	1.7	-
Years in other property mgmt excluding co-op housing	1.4	3.7	1.8	3.2	-
TOTAL PROPERTY MANAGEMENT EXPERIENCE	5.7	11.0	7.5	7.5	7.4

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

Also important to the overall management of a co-operative is manager and resident education and training. Table 9.4 presents the education of paid managers, and indicates that about one-quarter of paid managers in co-operatives have a university degree. About 44 per cent of paid managers working in FCHP co-operatives have completed trade school or community college, compared to 31.7 per cent for Section 95 co-operatives and 26.0 per cent for Section 61 co-operatives. Managers of public housing have a substantial number of managers with less than high school (14.5 per cent) while co-operative programs retain almost no paid managers with less than high school. About one-half as many public housing managers as paid managers of co-operatives have a university degree. Paid managers for F/P Non-profit co-operatives have a comparable level of university training and trade school/community college relative to other co-operative programs.

TABLE 9.4
FORMAL EDUCATION OF PAID MANAGERS IN CO-OPERATIVE HOUSING

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %	PUBLIC HOUSING %
Less than high school	0.0	0.0	0.3	4.6	14.5
High school graduate	18.8	13.6	21.3	22.1	22.6
Trade school/Community college	44.1	26.0	31.7	33.7	35.2
Some university	13.1	30.3	20.6	16.3	14.5
University degree	24.0	30.1	26.0	23.3	13.2
TOTAL	100.0	100.0	100.0	100.0	100.0

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

As noted earlier, the management of housing co-operatives depends heavily on resident volunteer labour. Many of the responsibilities of residents require specialised skills and expertise which can only be acquired through a training program. Table 9.5 provides an outline of courses taken by co-operative housing residents and managers. At least half of the managers in all co-operative programs report that one or more residents of their co-operative have taken courses related to board of directors management, financial management, member selection and orientation, and co-operative maintenance/management. These would appear to be the key courses for co-operative management. However, this also means that in at least 30 per cent of co-operative managers report that they do not have a resident who has pursued these key courses. Under the F/P Non-profit Program, about three-quarters of co-operatives have one or more residents who have pursued courses on board of directors management, financial management, and member selection and orientation.

These same courses are the most common for managers as well. At least 40 per cent of co-operatives under all programs report that their manager has pursued courses on board of directors management, financial management, member selection and orientation and co-operative maintenance/management. Between 30 per cent and 40 per cent of managers across all co-operatives also report participation in courses dealing with leadership skills, member involvement and volunteers, and conflict resolution. Levels of participation for the F/P Non-profit co-operatives is very similar, although the manager in about 66 per cent of co-operatives has taken the co-operative maintenance/management course. The participation rate is about 50 per cent greater than found in other co-operative programs.

TABLE 9.5
COURSES TAKEN BY CO-OP RESIDENTS AND MANAGERS

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
COURSES TAKEN BY CO-OP RESIDENTS				
Property management designation/ accreditation	4.2	7.4	4.6	5.0
Working towards property management designation	1.8	4.7	3.5	5.0
Board of directors course	66.7	64.2	62.4	77.1
Financial management course	64.7	67.3	67.6	73.4
Member selection/orientation course	62.1	56.6	53.6	77.8
Maintenance/management course	54.8	54.5	52.7	51.3
Leadership skills course	19.5	21.2	29.4	25.7
Member involvement/volunteer course	33.5	25.2	30.8	29.6
Conflict resolution course	23.3	27.4	29.0	22.1
COURSES TAKEN BY MANAGERS				
Property management designation/ accreditation	10.8	11.8	11.5	18.1
Working towards property management designation	13.1	9.2	10.5	19.8
Board of directors course	54.0	55.2	44.5	62.8
Financial management course	57.7	63.3	56.9	57.4
Member selection/orientation course	43.4	46.0	34.6	56.4
Maintenance/management course	46.4	49.9	41.6	66.3
Leadership skills course	37.4	30.0	37.1	34.1
Member involvement/volunteer course	37.9	33.7	32.2	37.0
Conflict resolution course	38.3	38.7	32.6	41.3

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

The high level of managers enrolling in and completing these key courses is probably a good indication that the information provided by these courses is important in the effective management of a co-operative. Although it is acknowledged that information, such as maintenance skills, may be obtained through other education or training, participation rates for managers in these key areas still appear quite low.

Courses, such as the board of directors course, would appear to be of great importance since a key component of the management structure in housing co-operatives is the participation of residents on committees. A previous chapter on the benefits of co-operative housing has already addressed the issue of the level of members' participation. This section examines the prevalence of various resident committees within co-operative housing.

The role of the Board of Directors within a housing co-operative is to oversee the work of specific committees and to develop the broader policies and guidelines for other committees to follow. In general, the other committees would report to the Board of Directors, while the Board would report to the general membership. Table 9.6 shows that virtually all housing co-operatives have a Board of Directors.

Other types of committees listed in Table 9.6 range from being almost non-existent to being very prevalent. The most common resident committees found in housing co-operatives (apart from the Board of Directors) are the Maintenance Committee (ranging from 85.9 per cent in Section 61 co-operatives to 89.1 per cent in FCHP and Section 95 co-operatives), the Finance Committee (ranging from 79.1 per cent in Section 61 co-operatives to 87.3 per cent in FCHP co-operatives) and the Member Selection/Education Committee (ranging from 79.4 per cent in Section 61 co-operatives to 85.2 per cent in FCHP co-operatives).

Approximately two-thirds of co-operatives have a Social and Recreation Committee, about one-half have a Newsletter Committee, and less than one-quarter have a Security Committee. Very few housing co-operatives indicated that they have a Community Services Committee (ranging from 3.6 per cent of Section 61 co-operatives to 8.7 per cent of FCHP co-operatives).

It is interesting to observe that, in general, housing co-operatives funded under the F/P Non-profit Housing Program are most likely to have any type of resident committee, while FCHP co-operatives are second most likely and Section 61 co-operatives are least likely to have any particular type of resident committee. These differences are, in some cases, quite large.

TABLE 9.6
ACTIVE RESIDENT COMMITTEES USED IN HOUSING CO-OPERATIVES

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Board of Directors	97.8	99.1	97.4	100.0
Member selection/education	85.2	79.4	82.5	96.8
Finance	87.3	79.1	84.9	100.0
Maintenance	89.1	85.9	89.1	97.0
Security	25.7	18.0	21.4	21.3
Community services	8.7	3.6	5.5	13.9
Social and recreation	67.8	64.0	62.5	93.7
Newsletter	57.7	54.0	45.9	83.8
Other	27.3	24.5	28.1	40.1

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

The case study findings tend to confirm the findings of the survey data with regard to the formal structures for co-operative management. Boards of directors, with or without paid staff, are shown to deal with day-to-day operations but important decisions and issues are routinely referred to the general membership for votes on policies or specific issues. In most instances, members in the case study co-operatives have a real sense that they control the management of their co-operatives and the Boards are elected to represent the membership. General membership meetings are usually required to approve annual budgets including any increases in housing charges, and examples were found where the membership did not approve proposed increases in charges. Similarly, the general membership would be required to authorise any major expenditures for repairs or capital items, and proposals for such items were not routinely approved on the Board's recommendation.

A wide variety of committees existed in the case study co-operatives, the most common and influential being finance, maintenance and membership. In some larger co-operatives, committees which deal with confidential matters (such as membership, arrears and grievance committees) are elected by the general membership. In most cases the committees and staff reported to the Board, although the working relationships between committees and paid staff varied. For example, co-operatives with maintenance staff often have staff accountability through the maintenance committee. The studies found that extensive use was made of ad hoc committees to revise or develop policies, or to deal with special projects and issues. To improve communications between the various committees and the Board, many co-operatives select liaison persons, either a Board member sitting on each committee or one of the committee members designated to report to the Board on behalf of the committee.

Concerns about continuity of management policies and practices have led some co-operatives to adopt staggered terms for Board members and committee members thereby avoiding a complete turnover of Board membership. As well, some co-operatives have formalised the practice of outgoing committee chairpersons "training" the incoming chairperson. These approaches are designed to improve the effectiveness of the management structure. In most co-operatives studied, management structures and approaches did not appear to have changed significantly over time although some co-operatives have gradually evolved the current structure.

B. Management Performance

This section on co-operative housing management performance examines a range of specific management practices and activities used by housing co-operatives. These include methods used to screen and select applicants to the co-operative and methods used to identify maintenance and improvement priorities, types of management problems experienced and several indicators of management effectiveness.

a) Maintenance and Improvement

Individual housing co-operatives have at their disposal a variety of methods for identifying maintenance and improvement priorities. While such priorities may not be seen as being of overriding importance for recently-constructed buildings such as newly constructed FCHP co-operatives, they become particularly important as buildings age and for acquired buildings. Table 9.7 presents the results of a set of questions incorporated into the Survey of Co-operative Housing Managers/Coordinators.

As seen in Table 9.7, at least one-third of all co-operatives in each program portfolio identified each of the methods presented to them as a way of determining either maintenance or physical improvement priorities (exception community/ membership directives for maintenance). For maintenance priorities, two methods were consistently listed as the most common: resident requests/complaints and physical inspections. More than 78 per cent of co-operatives in all programs mentioned either of these methods and the older Section 95 and Section 61 co-operatives were even more likely to use either of these approaches to identify maintenance priorities. Just under one-half of co-operatives in all of the federal program portfolios mentioned employee reports, preset schedules or by-law/building code enforcement as a means of identifying maintenance priorities, although three-quarters of co-operatives in the F/P Non-profit Program portfolio indicated that they use employee reports.

In terms of identifying priorities for physical improvements, committee or membership directives was the most frequently mentioned method across all programs (ranging from 60.2 per cent of FCHP co-operatives to 63.2 per cent of Section 95 co-operatives and 68.0 per cent of Section 61 co-operatives). Physical inspections or acting on residents' requests or complaints were two of the next most often mentioned ways of identifying improvement priorities with more than one-half of all co-operatives listing either of these (the one exception being that 47.6 per cent of FCHP co-operatives used physical inspections).

TABLE 9.7
MEANS USED TO IDENTIFY MAINTENANCE AND IMPROVEMENT PRIORITIES

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
MAINTENANCE				
Residents' requests/complaints	79.5	87.3	82.0	84.9
Employee reports	45.1	51.2	45.9	75.3
Physical inspection	77.9	81.6	82.0	85.0
Pre-set schedules	43.1	51.0	46.1	31.5
Committee/membership directives	30.1	27.3	32.3	26.7
By-law/building code	45.9	46.5	45.0	45.3
IMPROVEMENTS				
Residents' requests/complaints	53.9	54.0	52.5	40.3
Employee reports	32.1	40.4	33.7	58.1
Physical inspection	47.6	60.4	55.3	49.6
Pre-set schedules	36.8	39.4	33.4	37.0
Committee/membership directives	60.2	68.0	63.2	63.8
By-law/building code	39.4	36.3	35.7	41.1

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

In terms of planning for project maintenance, managers were also asked how long it had been since the maintenance plan for the co-operative had last been updated. As seen in Table 9.8, responses show between 30.3 per cent (Section 61) and 40.1 per cent (FCHP) of co-operatives had updated their maintenance plan within the last six months. A further 16.8 per cent (FCHP) to 29.0 per cent (Section 61) of co-operatives had updated their plans between six months and one year and between 6.1 per cent (FCHP) and 10.4 per cent (Section 61) of co-operatives had updated their maintenance plans between one and two years ago. Few co-operatives reported leaving their maintenance plans not updated longer than two years. However, between 19.8 per cent (Section 95) and 30.7 per cent (FCHP) of co-operatives indicated that they had never prepared a maintenance plan.

TABLE 9.8
TIME SINCE THE MAINTENANCE PLAN WAS LAST UPDATED

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
No plan prepared	30.7	24.2	19.8	29.5
Within last 6 months	40.1	30.3	36.7	27.6
6 months to 1 year	16.8	29.0	24.6	21.4
1 to 2 years	6.1	10.4	9.3	4.5
2 or more years	0.8	4.4	5.2	12.5
Plan not updated	5.5	1.7	4.4	4.5

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

Management practices can also be examined in terms of the degree to which maintenance or improvement initiatives of the co-operative are postponed.

The postponement of maintenance constitutes a failure to maintain the physical condition of the stock. Postponement of maintenance is serious because physical components may be left to deteriorate to the point where more serious repairs or even replacement, become necessary.

Improvement activities should address the planned replacement of components which are nearing the end of their physical or economic life. Therefore, the postponement of improvement activity should not have long term detrimental effects on physical condition. However, the postponement of improvement activity year after year, to the point where components completely fail minimum property standards, will clearly become detrimental to the condition of the stock.

Table 9.9 presents the incidence of postponed maintenance or improvement activities by co-operatives. Between 40 per cent (FCHP) and 49 per cent (Section 61) of managers of co-operative housing report a postponement of maintenance in their co-operative. Postponement of maintenance for co-operative housing programs is considerably higher than postponement of maintenance in public housing programs (27.6 per cent). Postponement of improvement activities is found in a marginally higher percentage of co-operatives than postponement of maintenance, and although postponement of improvement in public housing projects is also higher (35.3 per cent), postponement of improvement in co-operative housing projects is still considerably higher than the rate found in public housing varying from 42.5 per cent in FCHP projects to 52.8 per cent in Section 61 projects.

TABLE 9.9
POSTPONEMENT OF MAINTENANCE AND IMPROVEMENT

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT	PUBLIC HOUSING
Has postponed maintenance	39.5	48.6	46.4	54.9	27.6
Has postponed improvement	42.5	52.8	48.4	53.4	35.3

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Table 9.10 provides the reasons for the postponement of maintenance and improvement activities. Unlike Public Housing where lack of budget was a dominant factor contributing to the postponement of maintenance and improvement, there were no overriding causes of postponement of maintenance and improvement identified by managers of co-operative housing.

Lack of budget and the availability of residents are the most important reasons for postponement of maintenance identified in between 20 per cent to 30 per cent of co-operatives. The FCHP Program is an exception, since managers cited budget factors contributing to postponement in only 14.3 per cent of cases. A lack of resident's time is an important contribution to postponement of maintenance in about half of all F/P Non-profit co-operatives.

Lack of budget is the most important factor contributing to postponement of improvements in co-operatives, with one-quarter of FCHP co-operatives, 35 per cent of Section 95 co-operatives and 37.8 per cent of Section 61 co-operatives citing this reason.

About one-third of F/P Non-profit co-operatives postponed improvement so that it could be undertaken with other improvement needs of the co-operative.

TABLE 9.10
REASONS FOR POSTPONEMENT OF MAINTENANCE AND IMPROVEMENT

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %	PUBLIC HOUSING %
REASONS FOR POSTPONEMENT OF MAINTENANCE					
Lack of budget	14.3	29.5	26.4	27.4	73.3
Lack of skilled labour	10.6	14.6	11.5	27.2	21.1
Lack of resident's time	30.3	22.1	29.9	46.5	-
To coincide with other work	14.1	15.7	16.4	0.0	26.7
Other	16.5	16.8	12.6	50.0	3.4
REASONS FOR POSTPONEMENT OF IMPROVEMENTS					
Lack of budget	24.0	37.8	35.0	26.4	83.4
Lack of skilled labour	8.7	11.2	8.8	10.9	11.8
Lack of resident's time	19.2	19.3	23.3	9.3	-
To coincide with other work	19.5	16.9	15.3	34.8	19.5
Other	15.0	22.3	11.1	100.0	4.9

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

Another maintenance challenge is preparing a unit for occupancy. The survey asked Project Managers to estimate for the past year the average time required to prepare a vacated unit for occupancy (including any time for repairs, painting, cleaning etc. normally undertaken). On average, units in FCHP and Section 95 projects are likely to be turned over to new occupants almost twice as fast as units in Section 61 projects. The median time to prepare a unit in an FCHP or Section 95 project was found to be 5 days, compared with 10 days for a unit in a Section 61 project. In two-thirds of FCHP and Section 95 projects, units are reportedly ready for occupancy within one week, and over four-fifths within two weeks (Table 9.11). Comparison of these data with findings on a similar question in the Public Housing Program Evaluation suggests that unit preparation time in Section 61 co-operative projects is more similar to that in the public housing stock than in other co-operative projects. The efficient preparation of vacant units for re-occupancy maximises utilisation of the co-operative housing stock, and suggests effective management responses to the demand for available units from co-operative housing applicants.

TABLE 9.11
AVERAGE UNIT PREPARATION TIME
BY PROGRAM

	PER CENT PROJECTS				
UNIT PREPARATION TIME	FCHP PROJECTS	SECTION 61 PROJECTS	SECTION 95 PROJECTS	POST-1985 NON-PROFIT	PUBLIC HOUSING
Less than 1 week	67	49	66	49	48
1 - 2 weeks	19	25	14	49	28
2 - 3 weeks	6	5	9	-	15
3 - 4 weeks	2	-	1	-	2
More than 4 weeks	6	17	10	-	7
TOTAL	100	100	100	100	100
Median days	5	10	5	8	10.5

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990 and Public Housing Program: Program Evaluation Report, CMHC, April 1990, p. 203.

b) Applicant Recruitment and Screening Procedures

The recruitment, screening and selection of applicants to move into housing co-operatives is carried out by the co-operatives themselves for a number of reasons. Some of these reasons include: to ensure that low-income or other target group members are selected for rent-geared-to-income units; to ensure that the household can be expected to reliably pay occupancy charges; to ensure that the household is willing to fully participate in committee work and carrying out other voluntary work in support of the co-operatives' operations; and to ensure that the prospective residents will fit in with the other members.

Methods used to identify prospective co-operative members are identified in Table 9.12. Managers of co-operative housing identified word of mouth (at least 80 per cent) and recruitment by co-operative residents (over 70 per cent) as the dominant vehicle for finding new members. Under the FCHP, advertising in local newspapers (67.4 per cent) was also found to be an important means of locating new members. Each of these methods were also considered important within the F/P Non-profit co-operatives, although Non-profit co-operatives also relied heavily on referrals from LHA lists as an important way of finding new members.

TABLE 9.12
METHODS USED BY CO-OPERATIVES TO FIND NEW MEMBERS

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
a) Advertising in the local newspapers	67.4	25.8	35.4	54.9
b) Recruitment by co-op residents	70.1	71.8	74.9	69.7
c) Word-of-mouth	88.4	80.6	81.8	83.7
d) Signs outside the co-op	35.8	22.1	17.1	13.3
e) Referrals from co-op resource groups	43.1	32.8	39.6	36.3
f) Referrals from federation of housing co-operatives	29.3	33.8	28.0	25.2
g) Referrals from LHA lists	33.3	16.3	12.5	48.2
h) Other	14.7	13.6	14.6	21.5

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Under the FCHP, a province responsible for delivering the Rent Supplement program may require co-operatives to accept referrals from provincial or municipal (local housing authority) waiting lists of eligible (core need) clients for up to 50 per cent of Rent Supplement units. Table 9.13 shows that overall only a small percentage of RGI occupants in all programs were referred by local housing authorities. In particular, only under the FCHP in Ontario (27.7 per cent) and British Columbia (19.8 per cent) was the level of referrals high. This table does not include, however, referrals by LHA's that did not result in a successful applicant.

TABLE 9.13
RGI RESIDENTS REFERRED BY LHA

PROVINCE	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Newfoundland	0.0	N/A	0.0	N/A
Prince Edward Island	0.0	N/A	0.0	N/A
Nova Scotia	8.1	0.0	0.8	N/A
New Brunswick	3.0	N/A	1.4	N/A
Québec	0.0	0.0	0.5	1.4
Ontario	27.7	5.5	1.1	13.2
Manitoba	1.5	N/A	2.7	N/A
Saskatchewan	0.0	0.0	0.0	N/A
Alberta	0.0	0.0	0.9	N/A
British Columbia	19.8	0.9	1.8	N/A

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

Member selection committees must be certain that prospective members can meet the responsibilities of co-operative life. FCHP Program guidelines also indicate that applicants eligible for Rent Supplement Program assistance will be expected to meet basically the same membership criteria as other co-operative applicants. Table 9.14 shows the scrutiny applied to referrals from local housing authorities. As can be seen, local housing authorities must refer between 1.5 applicants (Section 61) and 3.1 applicants (FCHP) for each RGI vacancy.

TABLE 9.14
AVERAGE NUMBER OF REFERRALS BY LHA TO FILL ONE RGI UNIT VACANCY

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Average number of referrals per vacancy	3.1	1.5	2.9	3.4

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Table 9.15 shows that managers in up to one-quarter of co-operatives (Section 61) experience problems in filling RGI units. Totals for managers of co-operatives in other programs are lower at over 19 per cent for Section 95 and 12.9 per cent for the FCHP Program.

TABLE 9.15
PROBLEMS EXPERIENCED BY CO-OOPERATIVES IN FILLING RGI UNITS

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Yes, major problems	3.3	16.1	8.2	10.9
Yes, minor problems	9.6	8.9	10.6	20.6
No problems	87.1	75.0	81.2	68.5

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Methods used by housing co-operatives to screen prospective resident households are presented in Table 9.16 and it is apparent that virtually all co-operatives screen applicants before admitting them into the project. The most common method used to screen applicants is by personally interviewing the applicants. This is an approach used in over 93 per cent of all co-operatives.

There are also three other screening approaches which are very commonly used by housing co-operatives. Credit checks are used by 72.4 per cent of FCHP co-operatives, by 55.0 per cent of Section 95 co-operatives and by 61.2 per cent of Section 61 co-operatives. References (such as employer references) are used by 60.3 per cent of FCHP co-operatives, by 53.8 per cent of Section 95 co-operatives and by 55.5 per cent of Section 61 co-operatives. A visit to the co-operative by the applicant in order to meet residents is used as a screening procedure by 46.4 per cent of FCHP co-operatives, by 48.9 per cent of Section 95 co-operatives and by 56.2 per cent of Section 61 co-operatives. Use of the LHA to screen applicants was reported by only 22.6 per cent of FCHP co-operatives, by 4.8 per cent of Section 95 co-operatives and by 8.2 per cent of Section 61 co-operatives. Prior screening by the LHA clearly applies to low-income applicants only. It is generally found that FCHP and F/P Non-profit co-operatives are more likely than other co-operatives to carry out most types of applicant screening.

TABLE 9.16
METHODS USED TO SCREEN CO-OPERATIVE HOUSING APPLICANTS

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Personal interviews	95.0	93.4	95.5	97.1
Visit to co-operative to meet residents	46.4	56.2	48.9	53.3
Credit checks	72.4	61.2	55.0	76.4
References (eg. employer)	60.3	55.5	53.8	71.9
Prior screening by LHA	22.6	8.2	4.8	22.3
Other screening	15.9	17.3	15.5	24.5
No screening undertaken	0.7	0.9	1.4	0.0

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

The case studies identified effective member selection procedures as one key to maintaining the community character and effective operations of co-operatives. Most of the co-operatives studied placed a strong emphasis on ensuring that applicants understood the principles of co-operative housing and that new members received orientation materials explaining the role of member participation in the co-operative. However, as noted in a few instances, even the best member selection procedures are not perfect and examples were given of people joining the co-operative with great ideas and enthusiasm who fail to follow through or never participate in the co-operative. Some co-operatives have used a range of criteria in screening applicants including willingness to participate, compatibility with the existing membership, housing need, ability to afford housing charges, and matching the applicants housing need with the units available. A senior's co-operative had special concerns with the age profile of its members (because the existing membership was aging and became more infirm) and was concerned to fill vacancies with "active" seniors. Point-rating systems had reportedly been used in the past in a few instances, but had been abandoned as being too offensive to individual dignity.

In terms of clients served by Rent Supplement, the Guidelines state that, "Within the Core Need Income Thresholds (CNIT's), the number of units directed to households at the upper income levels of the thresholds will not exceed their proportionate share of need". The intent of the guideline is to ensure that a range of income groups within the Core Need Income Thresholds are served by the Rent Supplement Program.

Table 9.17 presents household income of RGI residents as a percentage of their respective CNIT. There is not a concentration of RGI occupants just under CNIT, but a distribution across all intervals representing household income as a percentage of CNIT. The distribution of household incomes as a percentage of CNIT for co-operative housing programs is more concentrated toward the upper groups in the distribution than found for public housing, another program for which comparable data were available.

TABLE 9.17
HOUSEHOLD INCOME AS A PERCENTAGE
OF CNIT FOR RGI RESIDENTS ONLY

	INCOME AS A PERCENTAGE OF CNIT				
	0-24.9%	25-49.9%	50-74.9%	75-100%	>100%
FCHP	3.3	36.4	31.8	17.4	11.2
Section 61	3.0	20.3	22.2	14.5	40.0
Section 95	2.4	21.0	26.8	21.4	28.3
F/P N-P (Ontario)	3.5	26.3	25.1	20.7	24.5
F/P N-P (Québec)	4.1	42.1	36.3	13.0	4.5
Public Housing	6.6	43.6	36.9	8.7	4.2

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990; and analysis of data from the Evaluation of the Public Housing Program, Program Evaluation Division, CMHC, 1990.

Under all programs, a certain percentage of residents have incomes that exceed their respective Core Need Income Threshold.

Table 9.18 examines only RGI occupants below their respective Core Need Income Thresholds and compares them with all Canadian households who are in core need. Depending on the program, between 19.6 per cent (FCHP) and 29.9 per cent (Section 95) of RGI occupants below CNIT have a household income between 75 per cent and 100 per cent of CNIT. The majority of RGI residents have incomes between 25 per cent and 75 per cent of CNIT. For all programs, at least 67 per cent of RGI residents below CNIT are found between these two intervals.

Given that 45 per cent of FCHP RGI tenants below CNIT have incomes less than 50 per cent of the applicable CNIT compared to less than 27 per cent in the general population of core need households, it appears that, even without the assistance of provincial and municipal agencies, co-operatives are helping a broad spectrum of the intended social housing target group. The number of rent supplement units directed to households at the upper income levels of the thresholds does not exceed their proportionate share of need.

TABLE 9.18
HOUSEHOLD INCOME AS A PERCENTAGE
OF CNIT FOR RGI RESIDENTS WHO ARE BELOW CNIT ONLY

	INCOME AS A PERCENTAGE OF CNIT				
	0-24.9%	25-49.9%	50-74.9%	75-100%	>100%
FCHP	3.7	40.9	35.8	19.6	-
Section 61	5.0	33.8	37.1	24.1	-
Section 95	3.3	29.3	37.4	29.9	-
F/P N-P (Ontario)	4.6	34.8	33.2	27.4	-
F/P N-P (Québec)	4.3	44.1	38.0	13.6	-
Public Housing	6.9	45.5	38.9	9.1	-
All households in core need	2.0	24.9	41.2	31.8	-

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990; and analysis of data from the Evaluation of the Public Housing Program, Program Evaluation Division, CMHC, 1990.

For all co-operative housing programs, therefore, the data would seem to indicate that co-operatives are serving a range of incomes below the Core Need Income Thresholds.

c) Types of Management Problems Experienced Related to Volunteer Input

Co-operative housing managers were asked, as part of the survey, about the frequency of a number of types of management problems which they had faced over the past five years. This list of management problems is primarily restricted to the ability of each co-operative to derive useful volunteer input from residents.

The three response options were often, sometimes or not at all. The extent to which these management problems were identified by housing co-operatives as being often experienced within the past five years is presented in Table 9.19.

The data indicate that lack of resident commitment, lack of courses for residents and excessive demands on resident's time are the management problems related to volunteer input most often experienced by managers. The frequency of management problems is somewhat higher for FCHP co-operatives.

Resident managers (30.4 per cent FCHP) highlighted lack of resident commitment as a management problem. Data in the benefits chapter (Chapter VII) indicates that approximately 9 per cent of residents of FCHP co-operatives do not invest any of their time in the management of their co-operative. On the other hand, managers for the FCHP (20.7 per cent) considered excessive demand on some resident's time to be a management challenge. These residents are at risk of burning-out and data in Chapter VII show that about 7 per cent of FCHP residents invest more than 20 hours per month in the management of their co-operative. In conjunction with this latter concern, managers under the FCHP (24.2 per cent) felt there were insufficient courses to support resident needs associated with the management of their co-operative.

The case studies included examples of co-operatives without notable management problems and others which have been experiencing a range of management difficulties. These studies focused on identifying the general conditions associated with effective self-management of co-operative housing and the barriers to achieving successful management. While the twelve co-operatives included in the case studies are not necessarily representative of all the variations of over 1,500 housing co-operatives, they serve to illustrate the types of problems sometimes encountered.

The most frequent types of management problems identified in the case studies were lack of effective communication between general membership and Boards of Directors, attrition of key people from committees, and expecting too much volunteer effort. Problems were most likely to arise under conditions where the co-operative lacked adequate financial resources, had difficulties maintaining active member commitment and participation (with some people seen to be taking advantage of other people who are doing all the work -- the "free-rider" problem), where some members were seen as being on "power trips", and where support from resource groups and CMHC was lacking. A more general difficulty experienced in some co-operatives related to separating the business of running a co-operative from the personal and community aspects of co-operative living, or in other words balancing the best interest of the co-operative as a whole with the interests of individual members.

The steps taken to address management problems varied widely among the case study co-operatives. Hiring of paid staff is evidently one approach which may redress a number of problems including workload on members and the reduction of inter-personal tensions over decisions about collecting housing charges and dealing with arrears or scheduling maintenance work. Several of the co-operatives which initially depended completely on volunteer efforts to run their co-operatives have later hired staff or contracted out particular tasks to relieve the workload on their memberships.

Communications problems have often been addressed by instituting newsletters to keep the membership up-to-date on events. Co-operatives experiencing problems with member participation have used a range of strategies from reward systems to more coercive approaches.

TABLE 9.19
FREQUENCY OF MANAGEMENT PROBLEMS "OFTEN" EXPERIENCED BY CO-OPERATIVES IN THE PAST FIVE YEARS

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
a) Excessive demands on resident's time	20.7	14.7	16.4	19.1
b) Lack of appropriate resident skills	17.6	13.5	13.7	27.0
c) Replacing skills when residents leave	13.0	12.4	10.4	7.4
d) Lack of courses for residents	24.2	19.5	17.7	34.1
e) Lack of paid staff resources	9.1	14.5	8.4	14.6
f) Lack of resident commitment	30.4	20.7	26.8	46.2
g) Resident's input not encouraged	10.1	8.0	9.0	16.9
h) Resident turnover	9.2	11.1	9.6	0.0

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

d) Management Effectiveness

This section presents three measures of overall management effectiveness for co-operatives. First co-operative housing managers were directly asked to assess the effectiveness of the management of their co-operatives against a number of important dimensions. These measures of management performance should clearly be interpreted with great care since the co-operatives were asked to provide an assessment of their own performance.

Second, co-operative housing residents were asked about their level of satisfaction with the management of their housing co-operative. Finally, resource groups and federations were asked to assess the overall management expertise of housing co-operatives.

Table 9.20 presents cross-tabulations of the manager assessment of the effectiveness of their management against a number of aspects of management performance. As seen in Table 9.20, there is generally a high degree of consistency in responses for given aspects of management effectiveness across programs. In the view of the co-operatives, the most effectively managed aspects are in resident recruitment and selection, maintenance and upkeep, major repairs/improvements, financial management, and board and committee functioning. With only a few exceptions, over 90 per cent of co-operatives believe that these areas are effectively managed.

Measurably less well-managed aspects of the co-operatives are seen by managers to be in the areas of resident relations and community relations. However, even in these areas, over 80 per cent of co-operatives believe management to be effective.

By far, the one aspect of co-operative management which co-operatives feel is the least effectively managed is in the area of resident education. Findings on this dimension of management varied from 62.4 per cent of Section 95 co-operatives to 66.0 per cent of FCHP co-operatives who rated their management of resident education to be effective.

TABLE 9.20
MANAGER ASSESSMENT OF THE EFFECTIVENESS OF VARIOUS ASPECTS OF CO-OPERATIVE HOUSING MANAGEMENT

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
a) Resident Recruitment/Selection	91.5	90.8	93.8	81.7
b) Resident education	66.0	65.6	62.4	70.0
c) Maintenance and upkeep	91.0	89.4	93.0	85.2
d) Major repairs/improvements	91.8	89.0	92.7	84.1
e) Financial management	95.9	94.9	98.4	96.2
f) Resident relations	82.1	88.1	85.7	74.0
g) Community relations	80.4	88.0	83.4	87.9
h) Board and committee functioning	89.1	91.9	91.8	92.3
i) General overall management	91.6	91.8	96.3	92.1

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

NOTE: Response categories of "Don't Know" and "Not Applicable" are excluded from the calculation of percentages.

Table 9.21 provides a measure of resident satisfaction with the management of their co-operative. Overall resident satisfaction is ten percentage points lower than manager assessments of management performance. Over 80 per cent of residents across all programs are satisfied with maintenance of common areas and grounds, the provision of information on the co-operative, assistance to residents experiencing financial difficulty and financial management of the co-operative. Resident satisfaction with two other management activities, security against crime and vandalism, and respecting and responding to resident concerns also exceeded 80 per cent for Sections 61 and 95 co-operatives, with the level of satisfaction for residents of FCHP co-operatives at just over 78 per cent. About three-quarters of residents in all programs were satisfied with unit level maintenance and with resident selection. The poorest levels of resident satisfaction were recorded for two resident activities under the FCHP Program. Specifically, only two-thirds of residents were satisfied with efforts to encourage resident participation and with co-ordination of volunteers. The corresponding satisfaction levels for Sections 61 and 95 residents on these elements were closer to three-quarters of all residents.

Under the F/P Non-profit Program, residents were least satisfied with encouraging resident participation (69.8 per cent), resident selection (68.2 per cent) and volunteer co-ordination (67.7 per cent).

TABLE 9.21
RESIDENT SATISFACTION WITH THE MANAGEMENT OF THEIR CO-OPERATIVE

	FCHP %	SECTION 61 %	SECTION 95 %	F/P NON-PROFIT %
Maintaining the grounds and common areas of the co-op	81.0	83.6	84.6	81.8
Maintaining the units	78.7	79.1	78.5	77.9
Security against crime and vandalism in the co-op	78.9	85.1	85.5	76.8
Giving residents information about the co-op	81.1	86.8	83.6	83.2
Respecting and responding to resident concerns	78.3	82.5	81.4	77.0
Encouraging all residents to participate in co-op operations	67.1	77.6	72.5	69.8
Assisting residents who experience financial difficulties	80.1	87.1	88.4	82.4
Budgeting and managing finances in the co-op	80.3	88.5	86.1	79.2
Resident selection	75.4	77.4	76.7	68.2
Coordinating volunteers	68.7	77.7	72.1	67.7

SOURCE: Survey of Co-operative Housing Residents, Program Evaluation Division, CMHC, 1990.

The third measure of management effectiveness examines the overall management expertise of individual housing co-operatives based on the opinions of resource groups and co-operative housing federations (Table 9.22). Resource group and federation ratings indicate that 43.1 per cent of them feel that co-operatives have a high level of management expertise, while 50 per cent of them feel that co-operatives are considered average. Only 6.9 per cent of resource groups and federations considered co-operatives to have a low level of management expertise.

TABLE 9.22
RESOURCE GROUP AND CO-OPERATIVE HOUSING FEDERATION OPINION OF THE OVERALL MANAGEMENT EXPERTISE IN HOUSING CO-OPERATIVES

	PER CENT
Very high	3.4
High	39.7
Medium	50.0
Low	5.2
Very low	1.7
TOTAL	100.0

SOURCE: Survey of Co-operative Housing Federations and Resource Groups, Program Evaluation Division, CMHC, 1990.

The case studies found that management of co-operatives was rated by members to be highly effective overall. Discussions of the management "successes" with members and Boards of the co-operatives studied identified four main indicators of or criteria for success, namely, member satisfaction with their housing, a good financial status, lack of conflicts within the co-operative, and the ability to maintain affordable housing costs. Generally, the conditions associated with effective management or success included items such as maintaining good communications within the co-operative, holding regular meetings, encouraging full participation of members, having clear lines of authority, having effective decision-making processes, and having up-to-date by-laws, policies and procedures which are applied consistently.

While the case studies identified many positive aspects of co-operative housing, co-operatives experience various problems. The Case Study Summary Report concluded that some co-operatives have significant unmet needs particularly in the areas of financial resources, member participation and sharing of responsibilities, education and training, and in the need for expert advice or skills to deal with specific problems.

Co-operatives have mostly tried to find their own solutions but further assistance may be warranted from the co-operative sector and from CMHC particularly in training and education.

c) Financial Difficulties

As part of the Survey of Co-operative Housing Managers/Coordinators, co-operatives were asked whether they had experienced financial difficulties within the past five years and, if so, to identify factors contributing to these financial difficulties. As seen in Table 9.23, 17.3 per cent of FCHP co-operatives reported experiencing financial difficulties in the past five years (effectively since being developed). This compares to 24.5 per cent of Section 95 co-operatives and 20.1 per cent of Section 61 co-operatives.

An examination of the distribution of responses across the three programs shows major variations in the factors perceived by co-operatives as contributing to these financial difficulties. Of FCHP co-operatives who have experienced financial difficulties, 62.2 per cent identified a high vacancy rate as a contributing factor. This compares to only 17.4 per cent of Section 95 co-operatives and 14.3 per cent of Section 61 co-operatives. Another often-mentioned factor among FCHP co-operatives is high expenses (44.4 per cent) compared to 32.4 per cent of Section 95 co-operatives and 15.2 per cent of Section 61 co-operatives.

On the other hand, the most commonly identified factor among both Section 95 and Section 61 co-operatives contributing to financial difficulties is "ineffective management". Over 46 per cent of Section 61 co-operatives and 42.9 per cent of Section 95 co-operatives mentioned this factor compared to 33.9 per cent of FCHP co-operatives.

Two other contributing factors were often mentioned primarily by Section 61 co-operatives and substantially less often by Section 95 co-operatives. Over 37.0 per cent of Section 61 co-operatives, 23.0 per cent of Section 95 co-operatives and 11.3 per cent of FCHP co-operatives believe that "catching up on deferred maintenance" was a contributing factor to their experiencing financial difficulties. In addition, poor condition or design of acquired buildings was mentioned as a contributing factor by 26.2 per cent of Section 61 co-operatives, 23.6 per cent of Section 95 co-operatives, and by 21.2 per cent of FCHP co-operatives.

TABLE 9.23
FACTORS CONTRIBUTING TO FINANCIAL DIFFICULTIES OVER THE PAST FIVE YEARS

	FCHP %	SECTION 61 %	SECTION 95 %
Percentage of co-operatives experiencing financial difficulties	17.3	20.1	24.5
FACTORS			
Ineffective management	33.9	46.2	42.9
High expenses	44.4	15.2	32.4
High vacancy rate	62.2	14.3	17.4
Catching up on deferred maintenance	11.3	37.6	23.0
Poor condition/design of acquired buildings	21.2	26.2	23.6
Poor condition/design of new buildings	17.1	24.8	25.1
Other	28.7	23.3	27.5

SOURCE: Survey of Co-operative Housing Managers/Coordinators, Program Evaluation Division, CMHC, 1990.

Management performance related to financial difficulty can also be measured by examining the degree to which co-operative housing occupants have been able to benefit from short-term financial assistance offered by the housing co-operative (Table 9.24). This assistance (eg. Security of Tenure Fund or an income-tested subsidy pool) is intended to reduce monthly housing occupancy charges to residents who have suffered financial difficulties such as loss of income due to layoffs, loss of jobs or loss of wage earners. The data show substantial differences across programs regarding the ability of co-operatives to offer financial assistance.

Under the FCHP, about one-third of co-operative managers can offer assistance in cases of serious financial difficulty and in only about 20 per cent of cases did co-operative managers feel they could offer assistance whenever needed. For Section 95, almost 60 per cent of co-operative managers thought that financial assistance could be offered whenever needed, but still about one-fifth of co-operative managers in this program believed they were unable to provide any help. Conversely, over 56 per cent of Section 61 co-operative housing managers stated they could not offer any financial assistance to occupants in financial difficulty.

TABLE 9.24
SHORT-TERM FINANCIAL ASSISTANCE OFFERED BY CO-OPERATIVES (PER CENT OF HOUSEHOLDS)

	FCHP	SECTION 61	SECTION 95	F/P NON-PROFIT
Yes, assistance whenever needed	23.8	19.8	59.0	25.2
Yes, only in cases of serious financial difficulty	34.5	13.8	13.4	26.0
No, co-op unable to provide	21.2	56.5	21.0	41.4
Other	20.5	10.0	6.7	7.4

SOURCE: Survey of Co-operative Housing Managers/Co-ordinators, Program Evaluation Division, CMHC, 1990.

Table 9.25 presents contributions collected for the FCHP Program's Security of Tenure Fund. This fund which is incorporated into each co-operative's operating budget is administered by individual co-operatives. Contributions to the fund are indexed annually by an inflation factor acceptable to CMHC and were initially based on $40 per unit per year in 1986. As noted above, the ability of this fund to meet occupant needs varies, and where the fund was inadequate, operating surpluses may have been transferred to replenish the fund or individual members may have been requested to pay a higher user charge to increase the fund. Long-term occupant affordability problems have been dealt with through the Rent Supplement Program.

TABLE 9.25
SECURITY OF TENURE FUNDS
FEDERAL CO-OPERATIVE HOUSING PROGRAM
(1986 - 1989)

PROVINCE/TERRITORY	1986	1987	1988	1989
Newfoundland	-	1,369	516	892
Prince Edward Island	960	1,161	645	-
Nova Scotia	7,160	8,503	5,334	1,918
New Brunswick	1,800	3,152	2,237	1,784
Québec	35,840	44,550	52,829	30,602
Ontario	41,400	56,703	30,931	19,628
Manitoba	5,480	8,960	6,625	6,825
Saskatchewan	2,000	2,572	4,345	-
Alberta	5,200	4,438	4,087	10,796
British Columbia	25,280	30,156	24,091	17,309
Northwest Territories	-	2,074	-	-
Yukon	-	-	-	535
CANADA	125,520	163,679	131,640	90,289

SOURCE: Program Planning and Analysis Division, CMHC, 1989.

D. Summary

A majority of co-operatives in all federal co-operative housing programs (over 70 per cent) are managed directly by residents on a voluntary unpaid basis. Over 30 per cent of co-operatives across all federal co-operative housing programs retain full-time or part-time paid managers or contractors. Co-operatives under the F/P Non-profit Program retain a much higher proportion of full-time or part-time paid managers or contractors (about 80 per cent).

Larger portfolios are more likely to be contracted-out to paid managers. Average unit portfolios for full-time paid managers vary from 69.1 units (FCHP co-operatives) to 109.6 units (Section 61 co-operatives), while unit portfolios for resident managers do not exceed 38 units (Section 61 co-operatives).

Paid managers for all co-operative housing programs have management experience comparable to property managers for the Public Housing Program (about 7 years), although paid managers of Section 61 co-operatives have 11 years of experience. Paid managers have gained most of their experience within co-operative housing programs.

Although a higher proportion of paid managers of co-operative housing have a much higher level of university training than public housing managers, the proportion of managers with either high school graduation or a trade school/community college training is similar for both public housing and co-operative housing programs. One exception is the high proportion of paid managers for FCHP co-operatives (44.1 per cent) who have a trade school/community college training.

Rates of participation for residents and managers have been high for four courses offered to housing co-operatives: board of directors course, financial management course, member selection/orientation course and maintenance/management course. One or more residents in at least 50 per cent of co-operatives across all programs have taken each of these courses. Similarly, at least 40 per cent of managers across all programs, have taken each of these courses. The corollary of this result is the high proportion of co-operatives across all programs where a resident or manager has not taken courses which appear critical to the management of co-operatives.

At least 80 per cent of co-operatives across all programs have active resident committees in four key areas: board of directors, member selection/education, finance and maintenance.

Residents' requests or complaints and inspections were identified by about 80 per cent of co-operatives across all programs as their primary means of identifying maintenance priorities. Committee or membership directives (over 60 per cent), resident requests or complaints (over 50 per cent) and physical inspections (over 47 per cent) were identified by co-operatives across all programs as the most important means of identifying improvement priorities.

Over 80 per cent of co-operatives across all programs report having updated their maintenance plan within the past year.

Between 40 per cent (FCHP) and 52.8 per cent (Section 61) of managers report postponement of either maintenance or improvement activities. The rate of postponement is somewhat higher than recorded by managers of public housing projects, where managers reported postponement of maintenance and M & I (improvement) activities in 27.6 per cent and 35.3 per cent of public housing projects respectively.

Lack of budget is the principal reason for the postponement of maintenance and improvement for between one-quarter and one-third of co-operatives identifying this as a factor (FCHP co-operatives, at 14.3 per cent is an exception), although this was a considerably more important factor for public housing (over 70 per cent). Lack of residents' time was a dominant factor contributing to postponed maintenance for Section 95 co-operatives (29.9 per cent) and FCHP co-operatives (30.3 per cent).

Managers of FCHP and Section 95 co-operatives indicate that an average of 5 days is required to prepare a vacant unit. About

10 days are required for Section 61 projects and this compares favourably to public housing projects where managers require 10.5 days to prepare a vacant unit.

The key means identified by co-operative managers for finding new members were word-of-mouth (over 80 per cent), recruitment by co-operative residents (over 70 per cent) and for FCHP co-operatives, advertising in local newspapers (67.4 per cent).

Referral by provincial or municipal waiting lists is not a significant means of identifying prospective RGI members. Only in FCHP projects in Ontario (27.7 per cent) and British Columbia (19.8 per cent) are referrals high. The fact that RGI members are expected to meet basically the same eligibility criteria as non-RGI members may contribute to problems in filling vacancies in RGI units. Managers report that their co-operatives do have some difficulty filling these units (between 12.9 per cent for FCHP to 25.0 per cent for Section 61). Referrals from provinces and municipalities are subject to a high level of scrutiny. Between 1.5 referrals (Section 61) and 3.1 referrals (FCHP) are required to fill one RGI unit vacancy.

Rent Supplement Program Guidelines state that within the Core Need Income Thresholds (CNIT's), the number of units directed to households at the upper income levels of the thresholds will not exceed their proportionate share of need. The evidence shows that the FCHP is serving residents with a range of incomes below the applicable Core Need Income Threshold. Forty-five per cent of FCHP RGI tenants have incomes less than 50 per cent of the applicable CNIT compared to less than 27 per cent in the general population of core need households. Only 20 per cent of FCHP RGI tenants have incomes between 75 and 100 per cent of the applicable CNIT. This compares with 32 per cent in the general population of core need households.

Managers of co-operatives identified management problems related to volunteer input most often experienced by co-operatives. Lack of resident commitment, lack of courses for residents and excessive demands on residents' time were the management problems most often experienced across all co-operative housing programs.

The principal methods used by co-operatives across all programs for the screening of housing applicants were personal interviews (over 90 per cent), credit checks (55 to 72 per cent) and references (54 to 60 per cent).

Managers were asked to assess the overall effectiveness of management in their cooperative. Over 91 per cent of managers across all co-operative housing programs considered their co-operative to be effectively managed. Less than 66 per cent of managers considered resident education to be an area which was effectively managed. To a lessor degree, managers across all co-operative housing programs thought that resident and community relations were also less effectively managed.

Residents were also asked to rate their satisfaction with the management of their co-operative. Although demonstrating overall a high level of satisfaction with the management of their co-operative, residents across all co-operative housing programs were least satisfied with coordination of volunteers (under 77 per cent), encouraging resident participation (under 77 per cent) and resident selection (under 77 per cent).

Based on their experience in the development and management of co-operatives, resource groups and co-operative housing federations have provided their opinion of co-operative management expertise. Specifically, 7 per cent of resource groups and federations thought that co-operatives generally have a low level of management expertise, while over 43 per cent of resource groups and federations feel that co-operatives generally have a high level of management expertise.

According to managers of FCHP co-operatives, over 17 per cent of co-operatives have experienced financial difficulty over the past five years. Comparable figures for Section 61 co-operatives (20.1 per cent) and Section 95 co-operatives (24.5 per cent) are somewhat higher.

For FCHP co-operatives, two prominent reasons for financial difficulty, high vacancy rates (62.2 per cent) and high expenses (44.4 per cent) were cited by project managers. Ineffective management was considered to be the greatest cause of financial difficulty by project managers of Section 61 co-operatives (46.2 per cent) and Section 95 co-operatives (42.9 per cent).

Managers of co-operatives also experience challenges in addressing short-term financial assistance needs of occupants suffering a loss of income. At least, 20 per cent of managers cited their inability to provide short-term financial assistance to occupants needing temporary assistance. The problem, as rated by managers, was particularly severe for Section 61 co-operatives where over 56 per cent of managers felt they were unable to provide short-term financial assistance. In contrast, 59 per cent of managers of Section 95 co-operatives believed they could provide short-term assistance whenever it was needed.

X PHYSICAL CONDITION OF THE CO-OPERATIVE HOUSING STOCK

A. Introduction

The purpose of this chapter is to describe the condition of the co-operative housing stock using data gathered from the co-operative housing physical condition survey.

To date there has never been a detailed study of the physical condition of co-operative housing. Consequently, there is no benchmark against which to measure trends in condition, nor has it been possible to say whether or not co-operative housing compares well or poorly with other kinds of housing.

The use of volunteer labour and management is a distinguishing feature of co-operative housing projects which is expected to help reduce operating costs. However, inexperienced volunteer labour and management may also result in problems related to co-operative development and management practices. In addition, some have expressed concern that the stock may be threatened by partial rehabilitation at the time of acquisition, by inadequate maintenance, or by poor management decisions. The evaluation assesses the repair needs of the stock and the program mechanisms in place to ensure that provision is made for the necessary repair or replacement of deteriorated building elements.

B. Description of Survey Data

The survey data provide two sets of physical condition indicators:

- ordinal scale summary ratings of the condition of inspected units, buildings and projects; and
- repair and replacement costs that would be necessary to bring all units of the stock up to the NHA *Minimum Property Standards* or to locally prevailing standards, whichever are higher.

The Minimum Property Standards recognise that variations from the standards for new housing can be acceptable, except that in terms of health and safety a reasonable quality of structural soundness, fire protection, electrical, plumbing and heating systems is mandatory. An average or a modest dwelling will normally exceed the minimum standard if building components are not noticeably worn or damaged.

Most repairs identified as being necessary to bring a building up to Minimum Property Standards are capital costs, since failing the standard means that a dwelling is failing to provide some aspect of basic housing service. Costs do not include items that would be renewed during a normal maintenance cycle, such as interior painting.

However, the distinction between maintenance and capital replacement blurs when considering inexpensive capital items or expensive maintenance items. An example of the former is replacement of missing interior hardware, and of the latter is a complete re-caulking of a 40 unit project. Both of these costs are included in the survey data.

Data was gathered consistently across the country according to a set of detailed inspection procedures developed by the Program Evaluation Division of CMHC. These procedures are outlined in the Physical Condition Survey Inspections Manual (Program Evaluation Division).

The sample was designed to provide reliable estimates at the national level only.

C. Criteria for Evaluation of Physical Condition

The survey data gives a snapshot of current conditions but does not by itself set a standard against which to evaluate ratings or repair cost estimates. Two criteria are available for interpreting the condition survey data that make use of previous research and program administration data:

- repair needs of other components of the housing stock;
- reserve funds set aside for capital repairs.

The first criterion illustrates how the condition of co-operative housing compares with other forms of housing. If the comparison is favourable, one concludes that co-operative housing is performing as well as or better than other forms of housing.

If the comparison is unfavourable, the possibility remains that the co-operative stock may be improved to an acceptable condition if sufficient reserve funds are available. The delay in undertaking repairs may result from a deliberate decision to do repairs at a more advantageous time. Co-operative repair requirements should therefore be examined from an accounting perspective, with repair needs forming the liability side of the reserve fund balance sheet. The indicator of possible physical condition problems is then a deficit in the repair reserve account rather than a large repair requirement by itself. Reserve funds are not to be used for minor repairs which comprise about 3 per cent of total repairs as estimated by the condition survey. The replacement reserve deficit therefore marginally overstates the size of possible condition problems.

These are both static measures and say nothing about the probable future evolution of housing condition. In the absence of time series data, the evaluation is limited to a static analysis, although some information on future trends can be inferred from the influence of age on condition.

In this chapter, the condition of co-operative housing projects will be described in terms of the programs under which projects were financed. Repair and replacement needs will also be disaggregated according to:

- the area of the project needing repair; and
- development method (new construction or acquisition and renovation).

The descriptive section will be followed by the two comparative analyses just discussed.

D. Hazard Notices

When an inspector found a situation that in his or her judgement constituted an immediate health or safety hazard to the occupants of the project, the co-operative contact person was notified immediately. The inspector also notified the Program Evaluation Division. When hazard notices were received from the branch inspectors, the Director, Program Evaluation Division sent a letter to the co-operative specifying the location and nature of the hazard. A telephone follow-up has since been started to determine whether the co-operative has acted on the hazard notice.

Fifty-eight hazard notification letters were sent out by the Program Evaluation Division. The most common hazards were related to fire safety. They included missing or non-functioning smoke alarms, inadequate separations between chimneys and combustible surfaces, unsafe storage of inflammable material, and inadequate provision of fire escapes. A small number of electrical and structural hazards were also found.

E. Description of Condition and Repair Requirements of the Co-operative Housing Stock

a) Condition of the Co-operative Housing Stock

Table 10.1 shows the condition ratings of the co-operative housing stock. The seven-point scale has been aggregated into a three-way classification of:

- fails to meet NHA Standards,
- meets NHA Standards, and
- exceeds NHA Standards.

This is appropriate since, on the original seven-point scale, only a small number of projects and units fall into each of the three failing categories.

TABLE 10.1
CONDITION OF THE CO-OPERATIVE HOUSING STOCK

CONDITION RATING	PROJECTS NUMBER	PROJECTS PER CENT	UNITS NUMBER	UNITS PER CENT
NATIONAL STOCK	1,553	100.0	50,433	100.0
Fails	26	1.7	311	0.6
Meets	211	13.6	3,762	7.5
Exceeds	1,316	84.6	46,360	91.9
SECTION 61	225	100.0	6,460	100.0
Fails	10	4.4	83	1.3
Meets	47	20.9	401	6.2
Exceeds	168	74.7	5,976	92.5
SECTION 95	1,119	100.0	36,724	100.0
Fails	16	1.4	228	0.6
Meets	144	12.9	2,762	7.5
Exceeds	959	85.7	33,734	91.9
FCHP	209	100.0	7,248	100.0
Fails	0	0.0	0	0.0
Meets	21	10.1	599	8.3
Exceeds	188	89.9	6,649	91.7

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990.

NOTE: All chapter X repair data is based on 90 per cent returns of inspection survey.

When considered as a whole, less than 2 per cent of projects in Canada fail to meet NHA Minimum Property Standards. These comprise 0.6 per cent of units in the co-operative stock. Over 84 per cent of projects (91.9 per cent of units) exceed the NHA standards.

No FCHP projects were found to fail the NHA Standards, while 91.7 per cent of units were in projects that exceeded the NHA Standards. Just over four per cent of Section 61 projects and one per cent of Section 95 projects failed the NHA Standards.

b) Repair Requirements

Table 10.2 shows repair and replacement costs by program type and condition rating. The total cost of repairing the co-operative housing stock is estimated at $58.8 million. Per unit repair requirements are estimated at $1,166.

TABLE 10.2
REPAIR REQUIREMENTS OF THE CO-OPERATIVE HOUSING STOCK BY CONDITION RATING

	COSTS		
	MILLION $	PER CENT	$/UNIT
NATIONAL STOCK	58.804	100.0	1,166
Fails	3.357	5.7	10,829
Meets	5.779	9.8	1,536
Exceeds	49.667	84.5	1,071
SECTION 61	12.627	100.0	1,954
Fails	1.413	11.2	17,024
Meets	1.755	13.9	4,377
Exceeds	9.460	74.9	1,582
SECTION 95	42.996	100.0	1,171
Fails	1.945	4.5	8,531
Meets	3.668	8.5	1,328
Exceeds	37.383	87.0	1,108
FCHP	3.180	100.0	439
Fails	0.0	0.0	0
Meets	0.356	11.2	594
Exceeds	2.824	88.8	425

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990.

Repair Requirements by Program Type and Condition

Section 61 is the oldest program and projects built under it now require over $12.6 million in repairs, or 21 per cent of the national total (Table 10.2). Section 95 projects need $43 million in repairs or 73 per cent of the total with the new FCHP projects needing $3.2 million. Section 61 projects have the greatest repair need on a per unit basis, at $1,954 compared to $1,171 for Section 95 co-operatives, and $439 for FCHP projects. This is to be expected as the oldest projects are likely to have the greatest repair needs.

Units in projects that fail to meet NHA Standards need $3.4 million of repairs or $10,829 per unit. These repair needs probably pose serious problems for the particular projects involved but comprise only 5.7 per cent of the total repair requirements of the co-operative stock. Units that just meet NHA Standards require repairs of $1,536 per unit while those that exceed NHA Standards need $1,071 per unit. Since a very large majority of units exceed the NHA Standards, their aggregate repair cost is large, amounting to $49.7 million or 84.5 per cent of the national total.

The premise that older projects require more repairs also holds for every category of condition. Section 61 projects that are below NHA Standards are the most seriously deteriorated, requiring on average $17,024 per unit of repairs compared to $8,531 per unit for Section 95 projects. Section 61 projects that exceed NHA Standards need repairs of $1,582 per unit compared to $1,108 for Section 95 projects. The difference between costs diminishes considerably as condition improves.

Repair Requirements by Project Component

The source of repair requirements for co-operative housing projects may be site area repairs, repairs to the building, or repairs to the dwelling unit within the building. The distribution of repair costs by source is shown in Table 10.3.

TABLE 10.3
REPAIR REQUIREMENTS OF THE CO-OPERATIVE HOUSING STOCK BY SOURCE

	REPAIR AND REPLACEMENT COSTS		
PROJECT COMPONENT	**MILLION $**	**PER CENT**	**$/UNIT**
ALL PROJECTS (50,435 units)	58.815	100.0	1,166
Unit costs	22.502	38.2	446
Building costs	33.477	56.9	664
Site costs	2.835	4.8	56

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990.

The major source of costs is repairs to buildings. These amount to $33.5 million in the co-operative housing stock as a whole and account for 57 per cent of all costs. The interiors of dwelling units require $22.5 million of repairs or 38 per cent of the total. Site areas require $2.8 million, or 5 per cent of the total.

On a per unit basis, building repairs are $664, unit repairs are $446, and site repairs are $56.

Repair Requirements by Development Method

Housing co-operatives may build new buildings, acquire and renovate existing buildings or may use a combination of methods to develop their projects. Acquired and renovated projects are thought to be more difficult to plan and to implement than new construction. Efforts to keep capital costs lower may result in omitted or deferred repair costs. The repair needs of new construction versus acquisition and renovation co-operatives are shown in Table 10.4. The acquired category includes projects that are a mixture of new construction and acquisition.

For both the FCHP and Section 61 Programs, the data do not support the hypothesis that acquired buildings experience partial rehabilitation or deferred repairs. Per unit repairs for the FCHP are very low for both acquired buildings and new construction, while for Section 61 co-operatives average repair costs for both acquired buildings and new construction are almost identical to the mean per unit repair for all Section 61 projects.

On the other hand under Section 95, per unit repairs for acquisitions ($1,436) are almost 40 per cent greater than per unit repairs for new construction ($1,087).

TABLE 10.4
CO-OPERATIVE HOUSING REPAIR NEEDS
BY DEVELOPMENT PROCESS

	$ MILLION	UNITS	$/UNIT
ALL PROGRAMS	58.803	50,435	1,165
New construction	40.885	37,580	1,088
Acquisition & renovation	17.918	12,855	1,394
SECTION 61	12.627	6,459	1,954
New construction	7.014	3,634	1,930
Acquisition & renovation	5.613	2,825	1,987
SECTION 95	42.997	36,724	1,171
New construction	30.988	28,514	1,087
Acquisition & renovation	12.009	8,210	1,463
FCHP	3.180	7,248	439
New construction	2.883	5,431	531
Acquisition & renovation	0.297	1,817	163

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990.

Table 10.5 provides a distribution of projects and repair costs for acquisitions and new construction by repair cost intervals and by program.

Under the Section 95 Program, over 38 per cent of repair costs for acquired projects are for repairs greater than $5,000 per unit (40 projects), compared to only 18 per cent for new construction. Almost 10 per cent of repair costs for acquired projects are for repairs greater than $10,000 per unit (9 projects), compared to 0.0 per cent for new construction. This results in the higher average repairs for acquired projects. Under the Section 61 Program, costs for projects developed by new construction span a wider range but have nearly the same average as acquired projects.

TABLE 10.5

PROJECTS AND REPAIR COSTS FOR ACQUISITIONS AND NEW CONSTRUCTION BY REPAIR COST INTERVALS AND PROGRAM

PER UNIT REPAIR COST ($)		ACQUIRED/ RENOVATION			NEW CONSTRUCTION			TOTAL	
	PROJECT	%	$ (M)	PROJECT	%	$ (M)	PROJECT	%	$ (M)
SECTION 61									
< 1,000	85	3.9	0.217	21	6.6	0.462	106	5.4	0.679
1,000 - 1,999	16	4.7	0.266	11	14.1	0.988	26	9.9	1.255
2,000 - 4,999	35	53.2	2.986	19	32.9	2.307	54	41.9	5.293
5,000 - 9,999	26	29.5	1.656	7	28.5	1.998	33	28.9	3.655
10,000 - 14,999	5	8.6	0.487	0	0.0	0.0	5	3.8	0.487
> 15,000	0	0.0	0.0	1	17.9	1.256	1	9.9	1.256
TOTAL	166	100.0	5.613	59	100.0	7.014	225	100.0	12.627
SECTION 95									
< 1,000	255	13.2	1.588	444	20.6	6.377	698	18.5	7.965
1,000 - 1,999	69	15.0	1.804	91	18.7	5.801	160	17.7	7.606
2,000 - 4,999	91	33.2	3.992	111	42.9	13.294	202	40.2	17.286
5,000 - 9,999	30	28.9	3.472	19	17.8	5.514	49	20.9	8.986
10,000 - 14,999	9	7.6	0.912	0	0.0	0.0	9	2.1	0.912
> 15,000	1	2.0	0.238	0	0.0	0.0	1	0.5	0.238
TOTAL	454	100.0	12.008	664	100.0	30.987	1,119	100.0	42.996
FCHP									
< 1,000	78	67.5	0.199	103	37.9	1.093	181	40.7	1.293
1,000 - 1,999	6	32.5	0.096	13	31.3	0.903	19	31.4	1.000
2,000 - 4,999	0	0.0	0.0	8	30.8	0.887	9	27.9	0.887
5,000 - 9,999	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
10,000 - 14,999	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
> 15,000	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
TOTAL	84	100.0	0.295	125	100.0	2.883	209	100.0	3.180

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990.

F. Evaluation of the Condition of Co-operative Housing

a) Comparison with Other Housing Stocks

Table 10.6 shows per unit repair requirements estimated for the public housing stock and for private owner-occupied housing. The condition of housing in these sectors has been surveyed by CMHC within the past five years using generally comparable survey techniques.

The private owner-occupied stock was surveyed using Standards for the Rehabilitation of Residential Property, which specifies items that are eligible for subsidy under the Residential Rehabilitation Assistance Program. This will tend to give a larger estimate of repair needs since the objective of RRAP is to produce a housing unit that is adequate by social housing standards rather than to ensure that a property satisfies the minimum standard for NHA mortgage insurance.

TABLE 10.6
COMPARISON OF CO-OPERATIVE AND OTHER
HOUSING REPAIR REQUIREMENTS

SECTOR	SURVEY YEAR	REPAIR COST PER UNIT
ALL CO-OPERATIVES	1990	1,166
Section 61 (1973-78)		1,954
Section 95 (1979-85)		1,171
FCHP (1986-89)		439
ALL PUBLIC HOUSING	1988	1,693
1970-1974 Projects		1,900
1975-1987 Projects		968
ALL OWNER-OCCUPIED	1986	3,396
1961-1986 units		1,972

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, 1990; Public Housing Program Evaluation Report, CMHC, 1990; and Residential Renovation Overview, CMHC, 1988.

The repair requirements of co-operative housing are comparable to the requirements of both public housing and owner-occupied housing when age is controlled. The newest public housing projects are in better condition than Section 95 co-operatives, but may be slightly newer. If FCHP projects were grouped with Section 95 projects, the difference would be small.

Co-operatives as a group need fewer repairs than owner-occupied housing generally but the stock is on average newer. The age difference would be somewhat offset by the different inspection standard.

b) Co-operative Housing Repair and Replacement Reserves

The operating agreements between CMHC and housing co-operatives specify that the co-operative is to maintain the project in a satisfactory state of repair. Ongoing maintenance is carried out and is funded from current revenues. Major capital expenses are infrequent but when they are necessary they are usually too expensive to be paid out of current revenues. Co-operatives therefore are required to set aside reserve funds to meet longer term capital repair costs.

Under the FCHP, the first year contribution to the reserve fund is 0.65 per cent of project capital cost (exclusive of land, legal or consulting fees etc.). Successive contributions are indexed at the same rate as mortgage repayments. Rules for initial funding of and continuing contributions to reserve funds under the two older programs were set on a case by case basis. Reserve funds are to be accounted for separately from current operations and are to be deposited in an interest bearing account of a financial institution approved by CMHC.

Replacement reserve funds are an asset of the housing co-operative to be used to offset future liabilities that are expected to arise from the normal periodic replacement of housing systems. The application of funds is restricted to items specified in schedules to the operating agreements or to items approved by CMHC. Minor repairs and ongoing maintenance may not be funded from reserves.

Inspectors estimated the cost of repairing or replacing items that would cause a dwelling to fail some requirement of the NHA Minimum Property Standards. One or a group of such specific failures would not necessarily cause the project as a whole to fail. As mentioned above, all capital items are not major costs and all maintenance items are not inexpensive. Consequently, all repair costs estimated from the survey would not necessarily be eligible for application of reserve funds.

Table 10.7 shows that replacement reserve funds of all three programs, as reported in September 1990, total over $46.8 million. Section 61 projects have $6.4 million in reserves or $932 per unit. Section 95 projects have $38.3 million in reserves, or about $968 per unit while FCHP projects have $2.1 million.

TABLE 10.7
CO-OPERATIVE HOUSING REPLACEMENT RESERVE FUNDS

	REPLACEMENT RESERVES		
	$ MILLION	**UNITS**	**$/UNIT**
Section 61	6.445	6,913	932
Section 95	38.268	39,506	968
FCHP	2.112	6,316	334
TOTAL	46.825	52,735	888

SOURCE: Co-operative housing program administration files, AGRSH, CMHC, (September) 1990.

Table 10.8 compares the repair requirements of the co-operative housing stock, by program, with the size of the reserve funds held by all co-operatives. Total reserves shown in Tables 10.8 and 10.9 do not equal those in Table 10.7 since the latter are estimates based on the reserves held by projects in the condition survey sample. Reserve balances in Tables 10.8 and 10.9 are understated by 4 per cent, neglecting the difference in the dates that the two measures were made; March 1990 for the repair estimate versus September 1990 for the data in Table 10.7.

Current reserves can accommodate about 76 per cent of repairs identified by the Physical Condition Survey. This includes almost 88 per cent of Section 95 repairs, but only 43 per cent of Section 61 repairs. FCHP reserves would cover only 52 per cent of repairs. Although these projects have the most formal replacement reserve requirements, it is surprising that a deficit could have arisen so soon.

On a per unit basis, the portfolio has a deficit of $268. Under Section 95 the shortfall is $142 per unit, while the Section 61 deficit is $1,110 per unit and the FCHP deficit is $155.

TABLE 10.8
CO-OPERATIVE HOUSING REPLACEMENT RESERVE FUNDS[1]

		RESERVES		REPAIRS[2]		SURPLUS (DEFICIT)	
	UNITS	$ MILLION	$/UNIT	$ MILLION	$/UNIT	$ MILLION	$/UNIT
Section 61	6,460	5.453	844	12.627	1,954	(7.173)	(1,110)
Section 95	36,724	37.758	1,028	42.996	1,171	(5.218)	(142)
FCHP	7,248	1.631	225	3.180	439	(1.126)	(155)
ALL PROJECTS	50,433	44.843	889	58.804	1,166	(13.517)	(268)

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, (June) 1990.

NOTE: [1] Weighted to the population of co-operative projects based on projects selected for the Physical Condition Survey.

[2] Some repairs may be accommodated by the annual operating budget reducing the deficit shown in this table.

The total deficit of $13.5 million is an overestimate of the reserve shortfall because part of the repairs identified by inspectors would be ineligible as reserve fund expenditures. Furthermore the total per unit deficit is less than the annual maintenance expenditures under all programs. It would be expected that some of the repair items identified would be covered by annual maintenance.

Replacement reserve funds may not be transferred among projects. An excess of reserves over repair needs among one group of projects will not offset the deficits of others as the average figures suggest. The reserve position of projects which are in deficit and those which are in surplus are shown separately in Table 10.9.

TABLE 10.9
CO-OPERATIVE HOUSING REPLACEMENT RESERVE FUNDS OF NON-ILM PROJECTS SURPLUSES AND DEFICITS

		RESERVES		REPAIRS		SURPLUS (DEFICIT)	
	UNITS	$ MILLION	$/UNIT	$ MILLION	$/UNIT	$ MILLION	$/UNIT
SURPLUS PROJECTS	22,847	32.077	1,404	7.643	334	24.434	1,069
Section 61	2,952	3.701	1,253	1.052	356	2.649	897
Section 95	17,349	27.396	1,579	6.400	368	20.996	1,210
FCHP	2,545	0.980	385	0.191	75	0.788	309
DEFICIT PROJECTS	27,585	12.654	458	51.160	1,854	(37.951)	(1,375)
Section 61	3,508	1.752	500	11.575	3,300	(9.822)	(2,800)
Section 95	19,374	10.362	535	36.596	1,889	(26.214)	(1,353)
FCHP	4,703	0.651	138	2.998	637	(1.913)	(406)

SOURCE: Co-operative Housing Physical Condition Survey, Program Evaluation Division, CMHC, (June) 1990.

As a group, about 45 per cent of units are in projects which have a surplus of reserves over repair needs. Section 61 projects in a surplus position have an excess of reserves over repair costs of $897 per unit. The comparable Section 95 projects have a surplus of $1,210 per unit and FCHP projects have $309.

Almost 56 per cent of co-operative units are in projects that have repair reserve deficits. Section 61 projects that are in deficit, have a shortfall of $2,800 per unit. Section 95 projects have a deficit of $1,353 per unit while FCHP projects have deficits of $406.

G. Summary

The co-operative housing stock is generally in good repair with 99 per cent of units at least meeting the NHA Minimum Property Standards. No FCHP projects failed the standard but 1.3 per cent of units in Section 61 projects and 0.6 per cent of units in Section 95 projects did fail.

The total repair requirement of the portfolio is $58.8 million. The average repair cost to bring all building elements of all units in the stock up to the standard is $1,166. Section 61 projects had the greatest repair needs at $1,954 per unit followed by Section 95 at $1,171 and FCHP at $439. The building envelopes require nearly 60 per cent of repairs with the majority of the remainder going to dwelling units. Site areas contribute only 5 per cent of total repair need.

Section 95 projects that were developed through acquisition and renovation need about 35 per cent more repair than projects developed through new construction. Section 61 and FCHP projects do not exhibit greater repair needs for their acquired projects.

Co-operative housing compares favourably with public housing and owner-occupied housing of equivalent age in terms of the costs of repairs. Very little data is available on the private rental stock so this comparison was not undertaken.

Housing co-operatives have replacement reserves on hand to cover about 76 per cent of repair needs leaving a deficit of $13.5 million. Projects that are in deficit together have a combined deficit of $38 million or $1,375 per unit although not all of the repair needs would be eligible replacement fund expenditures. Although FCHP projects are new their repair needs are $1.1 million greater than their reserve balances.

XI EVALUATION OF THE INDEX-LINKED MORTGAGE

A. Introduction

A central feature of the five-year experiment with the current Federal Co-operative Housing Program is the use of the Index-linked Mortgage (ILM). The evaluation of this innovative mortgage instrument constitutes a key component of the overall evaluation of the program.

The ILM is a loan in which the interest rate is stated in terms of a fixed real rate of return which is combined with a variable rate adjusted periodically in accordance with the actual changes in inflation as measured by the all-item national CPI.

The design of the ILM implies that monthly payments of principal and interest will, in general, rise over time with inflation. This feature, arrived at in consultation with CHF, was intended to improve the initial viability of co-operative housing projects, thereby reducing initial subsidy requirements.

This evaluation of the ILM will examine two major issues. The first issue is to what extent the ILM has enabled the program to obtain the expected lower interest rates as a result of the removal of the inflation risk for potential investors. A number of factors will be examined including the marketability of the ILM to the investment community.

The second issue is whether the design of the ILM and of the current program provide a reasonable balance between minimising default risk and minimising the need for federal subsidy. The indexing nature of the ILM is expected to reduce federal subsidy requirements by attempting to equalise the cash flow time path of economic rents with market rents. At issue is whether the expected reductions in federal assistance will be counteracted by a higher than expected rate of default of the ILM co-operatives. A higher rate of default could increase the costs to the NHA Mortgage Insurance Fund (MIF) and the government and reduce the benefits of lowering the levels of direct federal assistance. The examination of this issue draws on a risk analysis study conducted on the ILM as well as CMHC administrative data.

B. Review of ILM (1986-1990)

a) Real Interest Rates for Index-linked Mortgages 1986-1990

This section examines the volume of lending and real rates of return realised annually for ILM's between 1986 and 1990. The real rates of return realised under the ILM have a direct impact on the cost-effectiveness of the program and, under the fixed budget allocated for federal assistance, on the number of co-operative housing units produced each year.

Under the FCHP, the federal government made a commitment in 1986 to provide annually $5 million (indexed each year) for the duration of the program for federal assistance to housing co-operatives to bridge the gap between economic rent and market rents. This $5 million annual budget could, under the condition that a real rate of return of 4 per cent was realised for the ILM and that subsidy costs equalled $1,000 per unit, have potentially led to the development of 5,000 FCHP co-operative housing units per year.

However, as Table 11.1 indicates, this upper limit was never reached in the first four years of existence of the program despite additional budgets of $2 million for 1987 and 1988. In total, 11,417 co-operative housing units were committed between 1986 and 1989 with delivery reaching its peak in 1987 when just over 3,500 units were committed.

TABLE 11.1
FCHP COMMITMENTS (1986-1989)

	1986	1987	1988	1989	TOTAL
1st year federal assistance per unit	1,785	1,919	2,280	2,690	2,120
Number of units delivered	2,901	3,508	2,984	2,024	11,417
Number of co-ops delivered	79	117	108	65	369

SOURCE: Program Delivery System, CMHC, 1990.

The level of delivery of co-operative housing units was directly affected by the real interest rates realised on ILM's. Table 11.2 presents the weighted average real rates of return realised on ILM's in each quarter between 1986 and 1990[1] [2].

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[1] Weighted average interest rates realised on ILM's were obtained by weighting the real interest rates on each loan by the amount of each individual loan for the period for which the average real interest rate was being calculated.

[2] Weighted average real interest rates were calculated based on data for housing co-operatives committed by CMHC in each quarter.

The real interest rates realised under the ILM averaged 4.97 per cent and were never as low as 4.0 per cent over the 1986-1990 period with the exception of three loans where the government of Manitoba through the Manitoba Housing and Renewal Corporation provided funds at this rate. In fact, annual average real return remained within 15 percentage points of 5 per cent for all quarters except one from 1986 to 1990. The real rates of return reached their lowest level in the first two quarters of 1987 at 4.73 and 4.75 per cent, but subsequently climbed up to 5.09 per cent in the subsequent year. In 1989, real rates of return reached another low of 4.80 per cent in the first two quarters only to climb back again to 4.86 per cent in the last two quarters. More recently in 1990, real interest rates on the ILM have climbed back above the 5.0 per cent level. ILM financing was obtained at 5.0 per cent including a bonus to the lender resulting in an effective real interest rate of 5.15 per cent. Even at this rate, the interest of the investment community was limited and the real interest rate had to be increased to 5.5 per cent, tying its highest level ever, to obtain the latest block of financing.

TABLE 11.2
ILM REAL RATES OF RETURN
(1986-1990)

YEAR	QUARTER	WEIGHTED MEAN REAL RATE	MINIMUM REAL RATE	MAXIMUM REAL RATE	# OF LOANS
1986	4	5.09	4.0[1]	5.25	79
1987	1	4.73	4.0[1]	4.85	9
	2	4.75	4.75	4.75	1
	3	4.87	4.625	4.975	6
	4	4.89	4.625	5.5	101
1988	1	4.86	4.8	5.125	3
	2	5.09	4.875	5.25	22
	3	5.09	5.0	5.24	23
	4	5.03	4.8	5.2	60
1989	1	4.80	4.8	4.8	1
	2	4.80	4.8	4.875	8
	3	4.86	4.8	5.0	21
	4	4.86	4.75	5.5	35
1990	2	4.87	4.75	4.9	2
	3	5.08	4.75	5.5	10
TOTAL	-	4.97	4.00[1]	5.5	381

SOURCE: Program Delivery System, CMHC, August 1990.

NOTE: [1] 4.0 per cent real interest rate was realised on three ILM loans provided by the government of Manitoba through the Manitoba Housing and Renewal Corporation.

Table 11.3 presents the amount of ILM financing obtained at the various interest rates between 1986 and 1990. It shows that 82.7 per cent of all capital obtained through financing was at real interest rates between 4.75 and 5.249 per cent. In fact, except for the ILM financing obtained from the Manitoba Housing and Renewal Corporation, no ILM financing was obtained at a real interest rate below 4.5 per cent. On the other hand, over 7 per cent of ILM financing was obtained at a real interest rate of 5.25 per cent or over.

TABLE 11.3
ILM LOAN AMOUNTS BY REAL INTEREST RATES
(1986-1990)

REAL INTEREST RATE	ILM LOAN AMOUNT (MILLIONS)	% OF TOTAL LOAN AMOUNT	# OF LOANS
4.00 - 4.249	11.74	1.27	3
4.25 - 4.499	0.00	0.00	0
4.5 - 4.749	75.55	8.19	36
4.75 - 4.999	375.57	40.69	153
5.0 - 5.249	388.09	42.05	161
5.25 - 5.499	59.61	6.46	21
5.5 plus	12.37	1.34	7
TOTAL	922.93	100.00	381

SOURCE: Program Delivery System, CMHC, August 1990.

As mentioned above, the 5,000 unit ceiling was estimated based on 4 per cent real interest rates and $1,000 of federal assistance. The level of federal assistance is set in the first year by calculating the difference between market rents and economic rent (ILM payment on eligible capital costs plus operating expenses). Table 11.1 shows that in the initial year of the program, 1986, federal assistance per unit averaged $1,785 and well exceeded the level of $1,000 per unit used to estimate the 5,000 unit ceiling. Furthermore, federal assistance per unit increased to $2,690 per unit by 1989, representing a 50.7 per cent increase since 1986.

Table 11.4 examines to what extent federal assistance would have exceeded the average $1,000 per unit even if different real interest rates could have been realised for all ILM loans.

Table 11.4 shows that, if a real interest rate of 4 per cent could have been realised for all co-operatives, the average assistance per unit would have been reduced by $552 to $1,568 per unit and 4,023 additional units could have been produced between 1986 and 1989. Although these figures are not adjusted for inflation, it is apparent that, even with a 4 per cent real interest rate, the level of federal assistance per unit would have been significantly higher than the original $1,000 per unit used to establish the 5,000 unit annual ceiling. This clearly shows that higher capital costs and/or operating costs have played a role in bringing the average subsidy per unit above the $1,000 level and reducing the number of units which could be produced each year.

TABLE 11.4
IMPACT OF REAL INTEREST
RATES ON FCHP OUTPUT (1986-1989)

	REAL RATE				
	4.0 %	4.5 %	5.0 %	ACTUAL OUTPUT	n
Federal assistance per unit ($)	1,568	1,848	2,140	2,120	369
Federal assistance required to produce current total of units ($ Millions)	17.9	21.1	24.4	24.2	369
Number of units produced with level of federal assistance (1986-1990)	15,440	13,103	11,311	11,417	369

SOURCE: ILM86PR, CMHC, 1990.

b) Source of Funding for ILM Loans

Index-linked mortgages were marketed as a good investment vehicle for pension funds and insurance companies which have long-term and, sometimes, indexed liabilities. The ILM offered guaranteed real rates of return, protection against inflation and indexed streams of payments. Furthermore, several safety mechanisms were built in the program to minimise the risk of default in which case the outstanding balance on the ILM would be paid back to the lender by the NHA Mortgage Insurance Fund (MIF).

In total, 18 approved lenders made ILM loans for a total of $922.9 million. A large portion of ILM lending was concentrated with three approved lenders who accounted for 64.0 per cent of all loans and 70.8 per cent of the total loan amount. The 15 remaining approved lenders account for the remaining $269.3 million in ILM loans. The survey of ILM approved lenders conducted for the evaluation indicates that lenders either invested their own capital or acted as brokers or servicing agents on behalf of investors who contributed the capital to be invested in ILM's.

Reasons for Investing in ILM's

An important aspect of the review of the ILM experiment is the examination of the reasons for investments in the ILM. Table 11.5 reports the main reasons for investment in ILM's as reported by the ILM approved lenders and investors who responded to the surveys.

TABLE 11.5
MAIN REASONS FOR INVESTMENTS IN ILM

REASON	PER CENT OF LENDERS/INVESTORS CITING REASON FOR INVESTMENTS	n
Match return with future liabilities	30.8	13
Match return with future indexed liabilities	46.2	13
NHA mortgage insurance guarantee	46.2	13
30-year term	15.4	13
Fixed real rate of return (no inflation risk)	38.5	13
Attractive long-term real rates in historical terms	30.8	13
Diversification of portfolio (hedging)	30.8	13
Recommended by advisors	7.7	13
Support for housing co-operatives	23.1	13
Housing in general as an investment	0.0	13

SOURCE: Surveys of Lenders and Investment Community on ILM, Program Evaluation Division, CMHC, 1990.

Close to 50 per cent of lenders and investors in the ILM who responded to the surveys[1] reported that matching returns with future indexed liabilities and the NHA mortgage insurance guarantee were main reasons for investing in the ILM. Three other main reasons were the fixed real rate of return, the attractive long-term real rate and diversification of investment portfolios with respectively 38.5, 30.8 and 30.8 per cent of respondents citing them as a main reason for investing in the ILM. Finally, 23.1 per cent specifically cited support for housing co-operatives as a reason for investing in the ILM.

c) Marketability of the ILM as an Investment Vehicle

Real Interest Rates

As discussed above, the real interest rates realised on the ILM have so far been higher than originally expected. Tables 11.6 and 11.7 present historical data on real rates of return on T-Bills, Government of Canada bonds, 5-year mortgage rates and the TSE 300 between 1960 and 1989. Both tables show that, with the exception of the TSE 300, real interest rates have been higher in the 1980's than during the previous two decades.

The 4.97 per cent average real interest rate realised on the ILM is higher than the average real rates realised on all these investments between 1960 and 1989. In fact, all investments had real rates below 3.0 per cent over that period with the exception of the 5-year mortgage real rate which averaged 4.9 per cent. The real interest rates realised on the ILM may therefore seem high in comparison to the historical real rates of return often cited at the inception of the ILM.

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[1] Two separate surveys of lenders and investors were conducted. The first survey was sent to approved CMHC lenders who had made ILM loans. The second survey was addressed to money managers listed in the Directory of Investment Services published in the November 1989 issue of Benefits Canada.

On the other hand, the real interest rates realised on the ILM are lower than the real return realised on these same investments between 1985 and 1989. In fact, the 4.97 per cent average real interest rate realised on the ILM is over 2 per cent below the 7.10 per cent real rate realised on conventional 5-year mortgages. Furthermore, the ILM real interest rate is also below the real rates realised on government of Canada bonds over the 1985-1989 period[1].

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[1] Real rates of return on investments which mature after 1989 were calculated as an average of returns for the years before 1990 (e.g. for 10-year bonds issued in 1986, the average rate of return between 1985 and 1989 was calculated based on real rates realised in 1986, 1987, 1988 and 1989.)

TABLE 11.6
REAL RATES OF RETURN ON T-BILLS, CANADA BONDS, MORTGAGES AND TSE 300

YEAR	INFLATION RATE	91-DAY T-BILL	3-MONTH T-BILL	6-MONTH T-BILL	BOND AVERAGE 1 TO 3 YEARS	BOND AVERAGE 5 TO 10 YEARS	BOND AVERAGE 10 + YEARS	5-YEAR MORTGAGE RATE	TSE 300 (CLOSING)
1960	1.29	2.03	1.91	2.16	3.00	3.01	1.53	5.79	-
1961	0.64	2.19	2.17	2.39	2.64	2.43	0.77	5.39	25.13
1962	1.27	2.74	2.78	2.96	2.71	2.09	0.37	4.79	-4.52
1963	1.88	1.70	1.69	1.84	2.35	1.64	-0.09	4.30	5.90
1964	1.84	1.90	1.91	2.07	2.28	1.59	-0.47	3.85	16.39
1965	2.41	1.56	1.57	1.74	1.55	1.60	-0.93	3.38	8.06
1966	3.53	1.47	1.46	1.62	1.77	1.92	-1.31	3.84	-8.59
1967	3.69	0.90	0.95	1.10	1.39	1.52	-1.31	4.37	2.28
1968	4.11	2.13	2.16	2.18	2.08	1.40	-0.98	5.16	1.08
1969	4.47	2.68	2.72	2.86	3.62	1.36	-0.26	5.22	6.84
1970	3.27	2.85	2.72	0.58	3.47	0.74	0.08	4.53	-15.43
1971	2.93	0.69	0.63	2.87	1.10	-1.36	-0.93	2.01	3.27
1972	4.74	-1.19	-1.18	3.13	-0.68	-1.61	-0.73	0.88	12.88
1973	7.69	-2.30	-2.22	-0.08	-2.77	-1.83	-0.37	0.61	-0.75
1974	10.92	-3.14	-3.10	-2.10	-2.83	-1.07	1.21	2.03	-27.36
1975	10.80	-3.43	-3.41	-3.42	-1.62	-1.51	1.74	2.57	-12.41
1976	7.52	1.37	1.35	1.42	0.53	-0.85	2.14	3.05	-4.02
1977	7.95	-0.60	-0.62	3.82	-0.93	-1.19	1.69	0.63	-10.39
1978	8.84	-0.26	-0.16	3.94	-0.25	0.28	2.34	0.29	5.93
1979	9.20	2.37	2.49	8.29	1.09	2.05	3.45	2.29	26.87
1980	10.16	2.52	2.63	3.61	1.12	4.91	5.97	5.61	24.61
1981	12.49	5.29	5.23	-3.00	4.33	8.73	9.11	10.67	-10.94
1982	10.80	3.02	2.86	0.60	5.66	8.68	8.95	12.09	-34.81
1983	5.78	3.54	3.53	3.98	5.12	6.59	7.27	8.77	38.52
1984	4.35	6.75	6.71	4.79	7.49	8.11	8.44	9.43	-5.45
1985	4.01	5.45	5.42	4.62	6.07	6.47	6.73	7.87	11.88
1986	4.09	4.90	4.88	5.70	4.86	4.99	5.14	6.84	6.90
1987	4.38	3.79	3.77	7.65	4.97	5.07	5.47	6.66	14.13
1988	4.05	5.36	5.43	9.24	5.14	5.23	5.69	7.07	-11.48
1989	5.01	7.00	7.04	7.02	5.70	4.82	4.91	7.04	10.10

SOURCE: CANSIM, Statistics Canada.
NOTE: Real interest rates for investments maturing after 1989 were calculated from the year of issue to 1989.

TABLE 11.7
REAL RATES OF RETURN ON T-BILLS, CANADA BONDS, MORTGAGES AND TSE 300

	INFLATION RATE	91-DAY T-BILL	3-MONTH T-BILL	6-MONTH T-BILL	BOND AVERAGE 1 TO 3 YEARS	BOND AVERAGE 5 TO 10 YEARS	BOND AVERAGE 10 + YEARS	5-YEAR MORTGAGE RATE	TSE 300 (CLOSING)
Average 1960-1989	5.47	2.11	2.11	2.79	2.37	2.53	2.53	4.90	2.57
Variance	10.76	6.63	6.56	8.58	6.80	9.71	10.91	8.62	249.21
Standard deviation	3.28	2.57	2.56	2.93	2.61	3.12	3.30	2.94	15.79
Average 1960-1969	2.51	1.93	1.93	2.09	2.34	1.86	-0.23	4.61	5.84
Average 1970-1979	7.39	-0.36	-0.35	1.84	-0.29	-0.63	1.06	1.89	-2.14
Average 1980-1989	6.51	4.76	4.75	4.42	5.05	6.36	6.77	8.20	4.34
Average 1960-1974	3.65	1.08	1.08	1.69	1.45	0.90	-0.20	3.74	1.80
Average 1965-1979	6.14	0.34	0.36	1.86	0.50	0.10	0.41	2.72	-0.78
Average 1970-1984	7.83	1.17	1.16	1.90	1.39	2.04	3.36	4.36	-0.63
Average 1975-1989	7.29	3.14	3.14	3.89	3.29	4.16	5.27	6.06	3.30
Average 1960-1979	4.95	0.78	0.79	1.97	1.02	0.61	0.42	3.25	1.64
Average 1965-1984	6.78	1.31	1.32	1.90	1.56	1.92	2.30	4.37	0.01
Average 1970-1989	6.95	2.20	2.20	3.13	2.38	2.86	3.92	5.02	1.10
Average 1985-1989	4.31	5.30	5.31	6.85	5.35	5.32	5.59	7.10	6.30

SOURCE: CANSIM, Statistics Canada.

NOTE: Real interest rates for investments maturing after 1989 were calculated from the year of issue to 1989.

An alternative way of examining the real rates realised on the ILM is to compare them with the expected real rates of return over the same time period. Table 11.8 presents expected real percentage yields on the 3-month treasury bills, on the Scotia Mcleod universe bond index and on the TSE 300 as calculated by Peat Marwick consultants in their annual survey of economic expectations.

An additional measure of expected real rate of returns is presented in Table 11.9 where rate of return expectations were obtained by subtracting the Peat Marwick expected inflation rates from the actual nominal real rates of return.

Table 11.8 illustrates that expected real rates of return calculated by Peat Marwick for T-Bills and bonds have generally increased for the medium- and long-term from 1983 to 1990. In the same vein, Table 11.9 shows that inflationary expectations have decreased since 1983 while real return expectations have increased. Expected real rates of return on government of Canada bonds of different maturities are in fact all over 6.5 per cent in 1990. Between 1985 and 1990, expected real rates of return on government of Canada bonds have all been above 5.0 per cent which is above the real interest rates realised on the ILM.

TABLE 11.8
PEAT MARWICK SURVEY OF ECONOMIC EXPECTATIONS

YEAR OF SURVEY	CURRENT YEAR	MEDIUM TERM	LONG TERM
EXPECTED REAL PERCENTAGE YIELD ON 3-MONTH TREASURY BILLS (MEDIAN)			
1983	1.7	2	2
1984	3.7	3.2	2
1985	6.1	4	3.1
1986	4.5	4	3.3
1987	3.8	3.3	2.6
1988	3.6	3	3
1989	5.5	4.3	3.5
1990	5.8	4.1	3.4
Average 1983-1990	4.3	3.5	2.9
Average 1983-1986	4.0	3.3	2.6
Average 1987-1990	4.7	3.7	3.1
EXPECTED REAL PERCENTAGE YIELD ON SCOTIA MCLEOD UNIVERSE BOND INDEX (MEDIAN)			
1983	5.5	4	4
1984	8.5	5.3	3.8
1985	6	6.5	5
1986	8.6	5.8	5
1987	5.6	4.6	4.3
1988	5.7	5.2	4.1
1989	6.9	5.3	5
1990	5.7	5.3	4.8
Average 1983-1990	6.6	5.2	4.5
Average 1983-1986	7.1	5.4	4.4
Average 1987-1990	6.0	5.1	4.5
EXPECTED REAL PERCENTAGE YIELD ON TSE 300 STOCK INDEX (MEDIAN)			
1983	6.5	7	5.8
1984	15.7	8.3	6.8
1985	7.4	8	6
1986	7.6	7.3	6.3
1987	6.8	6.5	5.5
1988	7.7	8.4	6.7
1989	6.8	9	6.5
1990	1	5.5	6.8
Average 1983-1990	7.4	7.5	6.3
Average 1983-1986	9.3	7.6	6.2
Average 1987-1990	5.6	7.3	6.4

SOURCE: Survey of Economic Expectations, Peat Marwick Stevenson and Kellogg, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990.

TABLE 11.9

EXPECTED REAL RATES OF RETURN

YEAR	EXPECTED LONG-TERM INFLATION	BOND AVERAGE 1 TO 3 YEARS	BOND AVERAGE 3 TO 5 YEARS	BOND AVERAGE 5 TO 10 YEARS	BOND AVERAGE 10+ YEARS	5-YEAR MORTGAGE RATE	TSE 300 (CLOSING)
1983	6.00	3.18	3.61	5.11	5.79	6.29	35.80
1984	5.50	5.17	5.41	6.92	7.25	7.11	-7.10
1985	5.30	5.32	5.59	5.48	5.74	7.38	11.69
1986	5.50	4.19	4.31	3.87	4.02	6.32	6.59
1987	4.90	4.29	4.52	4.65	5.05	6.24	14.31
1988	5.00	4.67	4.77	4.76	5.22	6.60	-11.98
1989	4.70	6.11	5.60	5.13	5.22	7.45	10.30
1990	4.20	7.28	6.68	6.71	6.58	8.41	-10.55
Average 1983-1990	5.14	5.03	5.06	5.33	5.61	6.98	6.14
Variance	0.27	1.39	0.80	0.93	0.85	0.51	221.85
Standard deviation	0.52	1.18	0.89	0.97	0.92	0.71	14.89
Average 1985-1990	4.93	5.31	5.25	5.10	5.31	7.07	3.40
Variance	0.18	1.20	0.65	0.76	0.59	0.58	112.51
Standard deviation	0.42	1.10	0.81	0.87	0.77	0.76	10.61

SOURCE: Survey of Economic Expectations, Peat Marwick Stevenson and Kellogg, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990.
CANSIM, Statistics Canada.

NOTE: Expected real rates were calculated by subtracting the appropriate expected inflation (i.e. short, medium or long term) from the actual nominal R.O.R. on these investments.

This evidence on expected real rates of return therefore supports previous evidence showing that, although ILM real interest rates have been high in historical terms and higher than expected, they compare favourably to real interest rates realised on other investments over the 1985-1990 period. On the other hand, the ILM has a longer term than the investments used in the comparisons.

The cost savings to the government in the long term from lower real interest rates on ILM loans will depend largely on how real rates of return vary over the next three decades. A remaining question is therefore whether the 1980's marked the beginning of a period of higher real interest rates than those experienced in the 1960's and 1970's.

Another remaining question is whether the real interest rates realised so far on the ILM are as low as they could be. The following sections will examine factors which may have contributed to higher real interest rates than could have been realised. The focus is on the marketability of the ILM in the market place. The premise for this analysis is that the design and marketing of the ILM may have had an impact on the attractiveness of the ILM for investors. The underlying assumption is that the more attractive the ILM and the more competition and interest for the ILM is generated, the lower should be the real interest rate obtained on the ILM.

The ILM as a Five-year Experiment

As part of the FCHP, the ILM was presented to potential investors as a five-year experiment. There was no commitment or indication that the federal government would offer the ILM as an investment vehicle beyond the last year of the program in 1990. This lack of commitment may have contributed to diminish the attractiveness of the ILM for investors. Some investors may have been reluctant to set up apparatus and procedures to handle this new product given that it may disappear within a few years. In the same vein, investors may have been reluctant to have within their portfolio a product which risks becoming a one-time historical event and having poor liquidity.

Results from the surveys of lenders and the investment community, presented in Table 11.10, show that 22.8 per cent of respondents felt that uncertainty over the future of the ILM and the FCHP have led investors to refrain or restrict their investments in the ILM. In addition, Table 11.11 shows that 35.5 per cent of respondents reported that they would increase their investment in the ILM if there was a long-term commitment by the federal government for ILM products. There is therefore evidence that, in presenting the ILM as a five-year experiment, the federal government has contributed to reduce the interest of investors and competition for the product.

TABLE 11.10
FACTORS RESTRICTING INVESTMENTS IN ILM

FACTORS	REASON TO RESTRICT INVESTMENT %	MOST IMPORTANT REASON TO RESTRICT INVESTMENT %	TOTAL %	n
Lack of understanding of ILM	8.6	11.4	20.0	35
Lack of detailed information on ILM	5.7	20.0	25.7	35
Lack of external review of ILM	11.4	5.7	17.1	35
Uncertainty over future of ILM/Co-op program	17.1	5.7	22.8	35
High short term I.R. on competing products	22.9	22.9	45.8	35
Lack of liquidity of ILM	28.6	20.0	48.6	35
Insufficient volume of ILM	14.3	14.3	28.6	35
Size/timing of ILM issues	11.4	2.9	14.3	35
2 % tilt factor	2.9	-	2.9	35
Risk of prepayment	17.1	5.7	22.8	35
Difficulty in explaining to clients	11.4	2.9	14.3	35
Complexity of accounting	11.4	-	11.4	35
No authority for investment manager to invest in ILM	5.7	2.9	8.6	35
Conflict with short term evaluation of investment managers	25.7	2.9	28.6	35
30-year term	14.3	8.6	22.9	35
Index used (CPI)	2.9	2.9	5.8	35
No corresponding liabilities	2.9	17.1	20.0	35
Other	14.3	5.7	20.0	35

SOURCE: Survey of lenders and investment community on ILM, Program Evaluation Division, CMHC, 1990.

TABLE 11.11
FUTURE INVESTMENTS IN ILM

CHANGES TO ILM	DECREASE INVESTMENT %	SAME INVESTMENT %	INCREASE INVESTMENT %	DON'T KNOW %	n
Status Quo	3.2	77.4	-	19.4	31
Long-term commitment of Federal Government to ILM	-	48.4	35.5	16.1	31
Regular higher volume of ILM	3.3	46.7	33.3	16.7	30
Better info on ILM	-	60.0	23.3	16.7	30
External review of ILM	-	56.7	20.0	23.3	30
Guaranteed income stream	-	45.2	41.9	12.9	31
Real rate at					
4 %	40.7	44.5	0.0	14.8	2
5 %	10.7	71.4	7.1	10.8	28
6 %	0.0	23.3	56.7	20.0	30
7 %	0.0	16.1	64.5	19.4	31
Securitisation of ILM	3.7	33.3	33.3	29.7	27
Shorter term for ILM	13.3	26.7	33.3	26.7	30
No Tilt	0.0	32.0	28.0	40.0	25
1 % Tilt	0.0	41.7	8.3	50.0	24
3 % Tilt	16.0	36.0	4.0	44.0	25

SOURCE: Survey of Lenders and Investment Community on ILM, Program Evaluation Division, CMHC, 1990.

NOTE: This table presents results for investors who have and who have not invested in the ILM. Results should therefore be interpreted with caution as 'same investment' may mean continuing to invest in the ILM or continuing not to invest in the ILM.

Low Volumes of ILM

Another effect of restricting the ILM to the FCHP was that a relatively low level of ILM's were available to investors. Given that large pension funds usually invest in amounts of $25 million or more, the available volume of approximately

$200 million was relatively small and ILM issues were not available on the same regular basis as alternative forms of investments such as T-Bills or government bonds.

Table 11.10 shows that 28.6 per cent and 14.3 per cent of respondents to the surveys reported that insufficient volume and variation in the size and timing of ILM issues are factors that may have led investors to refrain or restrict their investment in the ILM. Furthermore, Table 11.11 shows that 33.3 per cent of respondents reported that they would increase their investments in ILM's if there was a regular higher volume of ILM.

Marketing of ILM

Marketing a new financial product such as the ILM can have a strong influence on its acceptance within the investment community. While it is difficult to assess the performance of individual presentations to investors or of particular hand-out material, survey responses offer some indicators of the relevance and effectiveness of the marketing efforts of CMHC and CHF for the ILM.

One measure of the effectiveness of the marketing of the ILM is the level of awareness and understanding of the ILM within the investment community. Table 11.12 shows that 28.6 per cent of ILM approved lenders responding to the survey felt that the ILM was poorly known by potential investors while 28.6 per cent felt that it was poorly understood by potential investors.

At the same time, Table 11.12 indicates that 85.7 per cent of investment consultants who responded to the survey said that they had heard of the ILM while 53.3 per cent of lenders and investment consultants responded that they fully understood the ILM.

TABLE 11.12
LEVEL OF KNOWLEDGE AND UNDERSTANDING OF ILM WITHIN INVESTMENT COMMUNITY

	PER CENT OF RESPONDENTS	n
KNOWLEDGE OF ILM BY POTENTIAL INVESTORS (LENDERS)		
Somewhat known	57.1	
Poorly known	28.6	
Don't know	14.3	7
UNDERSTANDING OF ILM BY POTENTIAL INVESTORS (LENDERS)		
Somewhat known	57.1	
Poorly known	28.6	
Don't know	14.3	7
HEARD OF ILM (INVESTORS)		
Yes	85.7	
No	14.3	28
UNDERSTANDING OF ILM (LENDERS AND INVESTORS)		
Understand fully	53.3	
Understand somewhat	43.3	
Don't understand	3.3	30

SOURCE: Survey of Investment Community on ILM, Program Evaluation Division, CMHC, 1990.

NOTE: Information in brackets indicates the nature of the respondents to the question.

The extent to which the lack of understanding of the ILM may have restricted investments in the ILM is presented in Table 11.10. It shows that 20.0 per cent of respondents felt that a lack of understanding of the ILM may have led investors to refrain or restrict their investment in the ILM. Furthermore, 25.7 per cent and 17.1 per cent of respondents respectively felt that a lack of detailed information on the ILM and a lack of external information/review of the ILM may have led investors to refrain or restrict their investments in the ILM. Finally, Table 11.11 indicates that 23.3 per cent and 20.0 per cent of respondents felt that investments in the ILM would increase respectively if better information on the ILM was available and if there was external review and independent information on the ILM from parties other than CMHC or CHF.

One remaining question is whether marketing of the ILM was targeted to the right people. Investments in an instrument like the ILM go beyond normal day-to-day decision making and require decisions on a new investment policy. These types of decisions may be beyond the jurisdiction of pension fund investment managers who's responsibilities are to maximise the return on investments within the context of the fund's current investment strategy.

In fact, Table 11.10 shows that 28.6 per cent of survey respondents reported that the short-term evaluation of performance of investment managers may have led investors to restrict their investments in ILM. In short, there is a disincentive for investment managers to invest in a long-term instrument which may in the short-term reduce their return on equity. Furthermore, 8.6 per cent of survey respondents reported that investment managers did not have the authority to invest in long-term, non-liquid and complex securities such as the ILM. One respondent clearly stated that:

> "It is not really an investment manager's decision to lock in long-term assets. It must be a decision by the trustee's or pension committee".
>
> "As investment managers, we must add value to our portion of funds. Once bought, we have little control over return on ILM".

This suggests that efforts to reach those who generate investment strategies or policies must continue.

Risk of Default or Prepayment

Although ILM lenders are protected against the risk of default by the NHA mortgage insurance on ILM loans, they are however not protected from early repayment of the loans. If a housing co-operative was to default, for example, in year 15 of its mortgage loan and foreclosure occurred, the lender would make a claim to the Mortgage Insurance Fund (MIF) which would pay the lender the full amount of the mortgage balance.

An early prepayment cancels any intended matching with long-term liabilities and means that the investor will not receive the real rate of return for the full term of 30 years originally intended. Given that the investor may have been able to get a better rate of return for a 15-year term on another form of investment and that the investor may have to reinvest the repaid funds at a less attractive rate of return depending on current economic conditions at the time of default, the risk of default makes the ILM a less attractive investment.

Table 11.10 indicates that 22.8 per cent of respondents felt that the risk of prepayment may have led investors to refrain or restrict their investments in ILM. Furthermore, Table 11.11 shows that 41.9 per cent of respondents felt that investment volumes in the ILM would increase if a guaranteed income stream for the full amortisation period was provided (i.e no prepayment).

Complexity of the ILM

Another potential impediment to investments in the ILM may be the complexity of the ILM instrument itself. Survey results have already shown that the lack of understanding of the ILM had contributed to restricting investments. Notwithstanding the difficulty in understanding the ILM, its complexity may create two other types of impediments to investments. First, its complexity may make it difficult for investment managers to explain to their clients. Second, the complexity may cause additional costs and difficulties for accounting and administrative procedures.

Table 11.10 indicates that only 14.3 per cent of respondents felt that the difficulty to explain the ILM to clients may have led investors to refrain or restrict their investments in the ILM. Finally, 11.4 per cent of respondents felt that the costs and difficulties of accounting may have led investors to refrain or restrict their investments. The complexity of the ILM therefore does not appear to be a major impediment.

Liquidity of the ILM

One more factor which may have restrained investments is the lack of liquidity of the ILM. The liquidity or the ability to sell off the ILM investment on a secondary market could be important for several reasons. First, the investors may be reluctant to tie in to an investment instrument which will not allow for any changes in investment policy in the future. There exists, for example, a secondary market for government bonds where bonds sell at a price determined by their coupon interest rates relative to the current real interest rates on securities with the same maturity. Second, investors such as small pension funds may require the funds to meet cash requirement for liabilities at one point or another before the maturity of the ILM. Finally, investment managers acting on behalf of pension funds often have obligations to provide the funds upon request to the pension fund or may lose an account where the entire portfolio would be paid back to the pension fund in question. Under both scenarios, investment fund managers may be reluctant to tie in funds in a security which is not sufficiently liquid to be able to meet these obligations.

Table 11.10 shows that 48.6 per cent of respondents felt that a lack of liquidity had restricted investments in the ILM. In addition, Table 11.11 indicates that 33.3 per cent responded that investments in the ILM would increase if regular higher volume were available or if ILM's were securitised, two changes which would help the creation of a secondary market and improve the liquidity of the ILM.

Two Per Cent Tilt Factor

A final potential impediment to investments in the ILM was the 2 per cent inflation tilt embodied in the current design of the ILM. The 2 per cent tilt not only increased the complexity of the ILM, but also increased the level of payments in the early years of the mortgage and decreasing them in later years. This feature may therefore reduce the attractiveness for the ILM for investors looking for high payments in later years or to match fully-indexed future liabilities. However, the 2 per cent tilt factor did not appear to be a major impediment to ILM investments. Table 11.10 shows that only 2.9 per cent of respondents cited the tilt factor as a reason why investments in the ILM may have been restricted. However, as indicated in Table 11.11, 28.0 per cent responded that removal of the tilt factor would increase investments in the ILM. This latter result is somewhat surprising given that an ILM without a tilt factor would increase the risk of default. Previous results have shown that investors highly value a secure stream of payments without defaults.

C. ILM Risk Analysis Study

Background

This section examines the risks of default of FCHP co-operatives and the potential level of claims to the MIF and of losses to the Stabilisation Fund. This constitutes the first step in addressing the major issue of whether the ILM and the FCHP in their current form provide a reasonable balance between minimising default risk and minimising the need for federal subsidies. The second step in addressing this issue is the dynamic cost-effectiveness analysis presented in Chapter XIII.

Under the FCHP, CMHC provides 100 per cent mortgage insurance on the ILM in return for a premium of 3 per cent of capital costs paid to the NHA Mortgage Insurance Fund (MIF). In the event of a co-operative defaulting on its ILM obligations, a claim would be made by the lender to the MIF which would incur the costs associated with the administration and resale of the property. If losses to the MIF due to defaults exceed the amount of the premiums paid to the MIF plus interest, this excess loss would amount to an additional indirect subsidy to the co-operative sector, thereby reducing the cost-effectiveness of the assistance provided under the FCHP.

Several features of the ILM and the FCHP have raised concerns over the risk of default amongst the housing co-operatives developed under the program. A first element of risk is related to the indexed nature of the ILM. Past experience with the Graduated Payment Mortgage experiments in the 1970's have shown that increased default rates can result in markets where rents are not keeping pace with economic rents.

Second, unlike previous co-operative housing programs which provided housing units at the lower end of market rents, the FCHP provides housing units at full market rents. The housing co-operatives developed under the current program are therefore more likely to face competition from the private rental market.

Finally, another feature of the ILM which raises concerns over default is the fact that the mortgage balance under an ILM actually increases in the first few years (approximately 12 years) of the mortgage until the mortgage payments increase above the interest on the loan. The loss to the MIF would therefore be greater in the first few years than under a conventional EPM where the mortgage balance starts declining in the first year.

On the other hand, a number of features were incorporated in the FCHP to reduce the risk of co-operatives running into financial difficulty. A planned 2 per cent tilt factor was incorporated into the ILM design. The tilt reduces the risk of default in two ways. First, it increases the initial level of payments and decreases the rate of growth of the mortgage balance in the first few years. Second, it reduces the rate of increase in occupancy charges in the future, making it less likely that occupancy charges in ILM co-operatives will increase at a faster rate than rents in the private rental sector.

Another safety feature is the Federal Co-operative Housing Stabilisation Fund (FCHSF) which was created to temporarily assist any project experiencing financial difficulties and therefore minimise the risk of default. From 1986 to 1989 inclusive, an estimated total of $25.9 million was contributed to the FCHSF.[1] Finally, CMHC has the option to increase the number of rent supplement units in co-operatives in financial difficulties and experiencing vacancy problems.

Approach

In order to evaluate the default risk associated with the ILM and the FCHP, a risk analysis study of the ILM was completed for CMHC. The risk analysis study used a specialised risk model to conduct actuarial analysis to determine both the number and amount of claims to the Federal Co-operative Housing Stabilisation Fund (FCHSF) and the MIF over the life of the mortgage.

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[1] **SOURCE**: Program Planning and Analysis Division, CMHC, June, 1990.

The model generated results which can be quantified in the form of probability distributions. These probability distributions provide the expected value and variability of the results and permit statistical testing. Analysis is conducted on both the current and alternative program designs.

Economic Scenarios

The specialised risk model simulates how the current program and alternative program designs behave under a range of three economic scenarios. The economic variables assumed for each scenario include inflation, vacancies, local rent increases, operating costs, prime lending rates and five-year mortgage rates.

Table 11.13 presents the assumed parameters for each of these variables under each economic scenario while Table 11.14 presents a summary of the equations used in modelling these various economic variables. Each variable is briefly discussed below.

National Inflation

The national inflation rate is a key economic variable in the model. First, under the current program the ILM, federal assistance and replacement reserve contributions are indexed by the annual inflation rate minus 2 per cent. Contributions to the security of tenure fund are indexed annually by the full inflation rate. Furthermore, the National inflation rate is used in estimating regional inflation rates as well as the prime and 5 year conventional interest rates.

The data used to determine a model for the national inflation rate is the rate of growth in the national consumer price index (CPI) in October of each year from 1969 to 1989.

Regional Data

The model considered 7 regions across the country to reflect the variability of rent changes and vacancy rates across Canada. The 7 regions are defined as follows:

Region	Definition
B.C.	B.C. and Yukon
Alberta	Alberta and N.W.T.
Prairies	Saskatchewan & Manitoba
Atlantic	Newfoundland, Nova Scotia, P.E.I., & New Brunswick
North-Central region	Northern rural regions of Ontario & Québec
Ontario	Ontario, excluding North-Central region
Québec	Québec, excluding North-Central region

Regional Inflation

The regional inflation rate is used in estimating the level of change in market rents in each region annually. The regional inflation rate is modelled from the national inflation rate as the data indicates that the inflation rates in different regions vary together and are closely distributed around the national rate in any given year.

Market Rents

The rate of change of market rents in each region is a key variable in the model. Occupancy charges in ILM co-operatives are originally set at market rents and are thereafter largely determined by the rate of change in the national inflation rate. ILM co-operatives may therefore experience vacancy problems and financial difficulties if rents in the competing local private rental market do not keep up with increases in occupancy charges for ILM co-operatives.

CMHC data on average rents from October 1984 to October 1989 inclusive for 27 cities in the 7 regions was used to determine the relationship between market rent increases and regional inflation rates. The model determines the rate of change in market rents from the regional inflation rate.

Vacancy Rates

Local vacancy rates also have an impact on the financial viability of ILM co-operatives. In periods of higher local vacancy rates, an ILM co-operative may experience difficulties in filling vacant units and face financial difficulties resulting from the loss of revenues.

CMHC data on annual vacancy rates from October 1969 to October 1989 for 27 cities in the 7 regions was used as input to the vacancy model. Each region is given a mean vacancy rate and the estimated vacancy rate in each region in any given year is a weighted geometric average of the mean vacancy rate for the region and the vacancy rates in the three previous years. The mean vacancy rates for each region are as follows:

Region	Mean Vacancy Rates
B.C.	0.6262
Alberta	2.0967
Prairies	2.0280
Ontario	1.0499
Québec	2.9755
Atlantic	2.5027
North-Central	1.1267

Co-operative Vacancies

Mean non-RGI unit vacancies were set to specified percentage of mean local vacancy rates in each of the economic scenarios (see Table 11.13). Rent supplement or RGI units are assumed to be fully occupied.

Stabilisation Fund Trigger

A different Stabilisation Fund trigger is assumed for each scenario. The trigger is the percentage of local market rents to which occupancy charges can be increased in an ILM co-operative experiencing financial difficulties. Above that level, the co-operative must obtain a loan from the Stabilisation Fund. The rationale for the trigger is that above a certain level, increases in occupancy charges result in vacancies, negating any increase in revenues.

Prime and Mortgage Rates

The prime rate is a key economic variable in the model. The prime rate minus one per cent is used as the annual rate of return for the MIF and the Stabilisation Fund, as the annual rate of increase to the Stabilisation Fund loan limits, and as the discount rate to calculate present values. The full prime rate is charged as interest on Stabilisation Fund loans.

The five-year mortgage rate is used in the model for the program alternative using a conventional equal payment mortgage instead of an ILM. It is also used in the calculation of the market value of defaulting properties.

The data used for the prime rate is the chartered bank prime business lending rate measured in October of each year from

1969 to 1989 inclusive. The data used for the mortgage rate is the conventional 5-year mortgage lending rate as reported by Statistics Canada. The estimated prime rate in any given year is the weighted geometric average of the previous year's prime rate and the current and previous year's national inflation rate. The estimated 5-year mortgage rate in any given year is the weighted geometric average of the previous year's mortgage rate, the current and previous year's inflation rate, and the current prime rate.

Scenarios 1, 2 and 3

The assumptions for scenario 2 were based primarily on the parameter estimates obtained in modelling historical data on the various variables assuming the historical trend is repeated in future years. Scenarios 1 and 3 were obtained by modifying the assumptions of scenario 2.

Scenarios 1 and 3 are to some extent arbitrary and are not necessarily symmetrically situated on either side of scenario 2. The main purpose of developing scenarios 1 and 3 is to establish the sensitivity of default risks to varying economic conditions and to establish a lower and upper range. A reassessment of the likelihood of each economic scenario will therefore be an integral task of policy makers in interpreting the results of the risk analysis study. In addition, other scenarios could clearly be developed.

Under scenario 2, the average long-term inflation rate is set at five per cent which is the same expected rate used to calculate the initial ILM payment under the program. This scenario assumes that the average rate of increase of market rents is equal to that of inflation. This is supported from the analysis of CMHC rent data (1984-89) as well as the rent component of CPI in the 1980's. Finally, scenario 2 assumes that co-operative vacancy rates for non-RGI units will equal that of the private rental market and a Stabilisation Fund trigger is set at 105 per cent of market rents.

Scenario 1 assumes a lower average inflation rate of 4.0 per cent with less annual variation and a stronger tendency for inflation in any given year to return toward the average. Market rents are assumed to increase on average by 4.5 per cent annually, which is higher than for inflation. Long-term average private market vacancy rates are assumed to be lower than under scenario 2. Non-RGI units in co-operatives are assumed to have a lower vacancy rate than private rental units and the Stabilisation Fund trigger is set at 110 per cent of market rents.

Scenario 3 assumes a higher average inflation rate of 7 per cent with more variability and less tendency for the inflation rate in any given year to return toward the average. Private market long-term average vacancy rates are higher than under scenario 2 and non-RGI units in co-operatives experience higher vacancies than private rental units. Finally, the Stabilisation Fund trigger is set at 100 per cent of market rents.

Net operating costs for the co-operative projects are assumed under all three scenarios to increase at the rate of inflation plus one per cent. Net operating costs exclude replacement reserve and security of tenure contributions. Replacement reserve contributions increase at the inflation rate minus two per cent. Security of tenure contributions increase by the inflation rate.

TABLE 11.13
ECONOMIC SCENARIOS
ILM RISK ANALYSIS STUDY

	SCENARIO 1	SCENARIO 2	SCENARIO 3
NATIONAL INFLATION			
Mean	4.00%	5.00%	7.00%
Dispersion	2.00%	3.00%	4.00%
Pull factor	0.3	0.2142	0.1
REGIONAL INFLATION			
Dispersion	0.60%	0.80%	1.00%
VACANCIES			
Mean	regional mean *.8	regional mean	regional mean *1.2
Dispersion	same	0.27%	same
Pull factor	-	-	-
MARKET RENTS			
Mean	4.5%	5.0%	6.0%
Pull of regional inflation	1.005	1	0.991
Dispersion	3.00%	4.10%	5.00%
CO-OP VACANCIES	rent supp full regional mean *.7 for other units	rent supp full private market for other units	rent supp full regional mean *1.3 for other units
STABILISATION FUND TRIGGER	Co-op occup. charges at 110% of market rents	Co-op occup. charges at 105% of market rents	Co-op occup. charges at 100% of market rents
	No rent induced vacancies. If co-operative has exhausted Stab. Fund assistance and still above trigger then fill up to 50% as rent supp. units. Default if still above trigger.		
MORTGAGE RATE DISPERSION	0.5%	0.5%	0.5%
PRIME RATE DISPERSION	3.2%	3.2%	3.2%

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

NOTE: The "pull factor" is a model parameter which determines the strength of the tendency for values to return toward the mean.

TABLE 11.14
ILM RISK ANALYSIS
SUMMARY OF FORMULAS

Vacancy Rates

$$V_{t_i} = \mu_i^{0.2412} \times V_{t_i-1}^{0.7066} \times V_{t_i-2}^{0.4959} \times V_{t_i-3}^{-0.4437} \times e^{\varepsilon_t}$$

Region	μ_i
B. C.	0.6262
Alberta	2.0967
Prairies	2.0280
Ontario	1.0499
Quebec	2.9755
Atlantic	2.5027
North - Central	1.1267

National Inflation Rate

$$I_t = (1 + \mu)^{1-0.7858} \times (1 + I_{t-1})^{0.7858} \times e^{\varepsilon_t} - 1$$

Regional Inflation Rate

$$L_{t_i} = (1 + I_t) \times e^{\varepsilon_{t_i}} - 1$$

Market Rent Increases and Inflation

$$R_{t_i} = (1 + L_{t_i})^{0.8332} \times e^{\varepsilon_{t_i}} - 1$$

Prime and Mortgage Rates

$$P_t = (1 + P_{t-1})^{0.8081} \times (1 + I_t)^{0.4274} \times (1 + I_{t-1})^{-0.1122} \times e^{\varepsilon_t} - 1$$

$$M_t = (1 + M_{t-1})^{.4895} \times (1 + I_t)^{0.0431} \times (1 + I_{t-1})^{0.0235} \times (1 + P_t)^{0.5302} \times e^{\varepsilon_t} - 1$$

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

Program Designs

The risk analysis model tested five different program designs. The first design is the current FCHP. The second design, named the "Cash-feed FCHP", is an alternative where the MIF and Stabilisation premiums are removed and where the federal assistance is increased for co-operatives in financial difficulty to avoid defaults until the mortgage is paid off at the end of 35 years. While increasing the costs of direct federal assistance, this design cancels the costs associated with the default of housing co-operatives. The main issue is whether this approach is more cost-effective for the government. Results on the cost-effectiveness of this program design are presented in Chapter XIII.

The third program design, named "EPM Cash-feed FCHP", is the current program using an equal payment mortgage. Because the formula for federal assistance would be inherently different under an EPM, it is impossible to produce program default patterns and costs to the MIF which are perfectly comparable to the current program. For this reason, the EPM program design was modelled on a cash-feed basis and will be compared to the Cash-feed FCHP in order to study the cost-effectiveness of using an ILM versus an EPM. Results are presented in Chapter XIII.

The fourth program design, named the "No-tilt FCHP", is the current FCHP where the 2 per cent tilt factor is removed from the ILM. The impact of removing the tilt factor is to decrease mortgage payments in the early years, thereby reducing the level of needed federal assistance, and to increase mortgage payments in later years, thereby increasing the risk of default. At issue is whether the cost savings in federal assistance are larger than the increased cost of default and whether the default rate of housing co-operatives is acceptable from a public policy perspective.

Finally, the fifth program design tested, named "Market Rent Index ILM" is the current FCHP with a different index for the calculation of annual federal assistance. The index for the calculation of mortgage payments and replacement reserves remains the same (i.e. CPI) but the two per cent tilt factor is removed. The calculation of annual federal assistance is based on the local rate of increase in market rent. The level of federal assistance in any given year, starting in year 2, is equal to the current year total mortgage payment minus the co-operative's share of the mortgage payment in the previous year indexed by the rate of increase in local market rents minus 1 per cent. This approach is more regionally sensitive and has the effect of protecting the co-operative in situations where local market rent increases are lower than the increase in national CPI. On the other hand, co-operatives are less protected from increases in local market rents which are above the national CPI. At issue is whether this approach, which removes the tilt factor and makes federal assistance more regionally sensitive, is more cost-effective and whether the rates and patterns of default are acceptable from a public policy perspective.

A set of assumptions relates to the operation of each program design tested. Table 11.15 presents the operating assumptions for each of the program designs. Program features such as the Federal Co-operative Housing Stabilisation Fund and the option to increase the number of rent supplement units for co-operatives in financial difficulty are fully integrated into the risk model.

TABLE 11.15
PROGRAM OPERATING ASSUMPTIONS
ILM RISK ANALYSIS STUDY

OPERATING ASSUMPTIONS (the assumptions apply to all program designs unless otherwise specified).

1. Occupancy charges = total operating costs - Federal assistance

NOTE: Occupancy charges are capped at a prescribed percentage of market as specified in economic scenarios 1, 2 and 3.

2. Steps taken in case of operating deficit.
   a) Reamortisation of mortgage from 30 to 35 years.
   b) Borrow from Stabilisation Fund up to available loan limit.
   c) If possible, increase number of rent supplement units to 50 per cent of all units.

3. Stabilisation Fund is taxable.

4. Loss to MIF in case of default:

   = Outstanding mortgage X (1 + transition expenses) - net market value.

5. Loss to Stabilisation Fund: balance on any outstanding loans at time of default.

NOTE: Operating assumptions 2b, 3, 4 and 5 do not apply to the cash-feed FCHP and EPM cash-feed FCHP program designs presented in Chapter XIII.

Project Data

The model uses data for housing co-operatives developed under the FCHP since 1986 to simulate the entire term of their mortgage. Each housing co-operative is treated individually for each of the program designs and under each economic scenario.

Other risks of default

It is important to note that the risk analysis model uniquely considers the risk of default related to economic and market factors only. In general, the model triggers a default if the level of occupancy charges in an individual co-operative remained so high in comparison to local market rents that, despite the safety mechanisms of the program, housing costs can no longer be met. On the other hand, the model cannot consider defaults which result from poor management on the part of the co-operative or from unforeseen and extraordinary expenses related, for example, to severe structural problems. The incidence of these problems are examined separately later in the chapter.

Findings

Rates of Default

The first set of findings from the risk analysis model are the rates of default under the various economic scenarios. These rates of default, presented in Table 11.16, represent the percentage of all co-ops which can be expected to default on their mortgage over their amortisation period and should not be confused with annual rates of default. These defaults would occur despite re-amortising mortgages to 35 years, receiving assistance from the Stabilisation Fund and, if possible, increasing the number of rent supplement units to 50 per cent of all units.

Table 11.16 shows that under economic scenario 1, when market rents increase at a faster rate than the CPI, no default would occur under the current program. The results under this first scenario were only calculated for the current program as an additional benchmark for the other two economic scenarios.

Higher rates of defaults occur under economic scenario 2 when the assumptions are based primarily on the parameter estimates obtained in modelling historical data on the various variables. The current program design experiences a default rate of 0.7 per cent while the No Tilt FCHP and Market Rent Index ILM experience default rates of 19.9 per cent and 1.4 per cent respectively.

Default rates increase significantly under the third economic scenario. Namely, the average rate of increase in market rents is assumed to be 1 per cent less than the rate of increase in the national CPI. Under this scenario, the FCHP and the Market Rent Index ILM experience similar default rates around 47 per cent. The No Tilt ILM sees its rate of default increase to a high of 90.2 per cent of housing co-operatives.

TABLE 11.16
RATE OF DEFAULTS ON VARIOUS PROGRAM ALTERNATIVES UNDER THREE ECONOMIC SCENARIOS

PROGRAM ALTERNATIVES	RATE OF DEFAULTS	
	MEAN	STANDARD DEVIATION
ECONOMIC SCENARIO 1		
Current ILM program	0.0	0.0
ECONOMIC SCENARIO 2		
Current ILM program	0.7	1.5
ILM program W/O 2% tilt	19.9	19.4
Market rent index ILM	1.4	2.3
ECONOMIC SCENARIO 3		
Current ILM program	47.1	20.1
ILM program W/O 2% tilt	90.2	13.5
Market rent index ILM	46.8	18.2

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

Average Year of Default

Along with the market value of the property, the timing of a default is a major factor influencing the amount of the loss to the MIF. The timing of the loss will first determine the size of the outstanding balance on the mortgage to be reimbursed to the lender by the MIF. Because the outstanding balance on an ILM is indexed by the CPI minus 2 per cent, it actually increases in the first few years and peaks in about the twelfth year before starting to decrease. Secondly, the timing of the default will also have an impact on the present value of the loss to the MIF once it has been discounted to take into account the time value of money.

Table 11.17 presents the average year of default for each program design under scenarios 2 and 3. The current FCHP, the No Tilt FCHP and the Market Rent Index ILM all experience late average years of defaults around years 27 to 29 under scenario 2. All three program designs experience earlier average years of default under the third economic scenario. The No Tilt ILM experience the earliest defaults with an average year of default of 19.8. The current FCHP and the Market Rent Index ILM respectively have average years of default of 24.7 and 26.3.

TABLE 11.17
AVERAGE YEAR OF DEFAULT ON VARIOUS PROGRAM ALTERNATIVES UNDER THREE ECONOMIC SCENARIOS

PROGRAM ALTERNATIVES	AVERAGE YEAR OF DEFAULT MEAN	STANDARD DEVIATION
ECONOMIC SCENARIO 1		
Current ILM program	-	-
ECONOMIC SCENARIO 2		
Current ILM program	29.2	4.7
ILM program W/O 2% tilt	27.7	5.1
Market rent index ILM	28.2	5.8
ECONOMIC SCENARIO 3		
Current ILM program	24.7	6.6
ILM program W/O 2% tilt	19.8	5.9
Market rent index ILM	26.3	6.0

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

Claims to the MIF

As mentioned earlier, claims to the MIF are calculated by subtracting the market value of the property (less resale and administrative costs) from the outstanding balance on the mortgage. Table 11.18 presents the present value of the claims to the MIF for the three program designs under scenarios 2 and 3. Contingent liabilities are presented as the excess claims to the MIF above the 3 per cent premium collected for each co-operative. Contingent liabilities would represent additional costs to the government for co-operative housing.

Both the FCHP and the Market Rent Index ILM experience very low claims with 0.1 and 0.2 per cent of capital costs respectively under scenario 2. The No Tilt ILM, on the other hand, experiences claims of 1.6 per cent of capital costs.

Claims to the MIF increase significantly under scenario 3. The current FCHP experience MIF claims of 5.8 per cent of capital costs resulting in a contingent liability of 2.8 per cent of capital costs. The Market Rent Index ILM fares even worse and experienced MIF claims of 7.1 per cent resulting in a contingent liability of 4.1 per cent of capital costs. Finally, the No Tilt ILM continues to have the poorest default performance with MIF claims reaching 21.4 per cent of capital costs for a contingent liability of 18.4 per cent.

TABLE 11.18
CLAIMS TO MIF AS A PERCENTAGE OF CAPITAL COSTS FOR VARIOUS PROGRAM ALTERNATIVES UNDER THREE ECONOMIC SCENARIOS

PROGRAM ALTERNATIVES	CLAIM TO MIF (% OF CAPITAL COSTS)	CONTINGENT LIABILITY (% OF CAPITAL COSTS)
ECONOMIC SCENARIO 1		
Current ILM program	0.0	0.0
ECONOMIC SCENARIO 2		
Current ILM program	0.1	0.0
ILM program W/O 2% tilt	1.6	0.0
Market rent index ILM	0.2	0.0
ECONOMIC SCENARIO 3		
Current ILM program	5.8	2.8
ILM program W/O 2% tilt	21.4	18.4
Market rent index ILM	7.1	4.1

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

NOTE: The present values of the claims to the MIF are presented in this table as a percentage of initial capital costs for the co-operatives under study. Premiums to the MIF are equal to 3 per cent of initial capital costs.

Losses to the Stabilisation Fund

Losses on loans from the Stabilisation fund can occur in two ways. First, repayment of a loan to the Stabilisation Fund cease if it causes a co-operative to go into default. Second, the Stabilisation Fund would experience a loss on any loan outstanding to co-operatives which default. The risk analysis model captures these two types of losses for the Stabilisation Fund.

The structure of the model enables the Stabilisation Fund to continue making loans to co-operatives in financial difficulty even after the receipts of premiums from the co-operatives in the model have been exhausted. In other words, the Stabilisation Fund was allowed to continue making loans as if premium receipts from future new co-operatives continue to flow in and thus experience premium shortfalls.

Table 11.19 presents the present value of the losses to the Stabilisation Fund as a percentage of capital costs. Under scenario 2, the current program experiences the lowest level of losses to the Stabilisation Fund at 0.1 per cent of capital costs. The Market Rent Index ILM experiences a higher level of losses to the Stabilisation Fund at 1.4 per cent of capital costs. Finally, the No Tilt ILM again experiences the worst performance with losses of 4.8 per cent of capital costs resulting in a premium shortfall to the Stabilisation Fund of 1.8 per cent of capital costs.

Losses to the Stabilisation Fund increase significantly under economic scenario 3. The Stabilisation Fund incurs losses of 15.2 of capital costs under the current program for a premium shortfall of 12.2 per cent of capital costs. The No Tilt ILM experiences Stabilisation Fund losses of 25.5 per cent of capital costs for a premium shortfall of 22.5 per cent. Finally, the Market Rent Index ILM experiences the highest losses to the Stabilisation Fund at 27.4 of capital costs and a premium shortfall of 24.4 per cent of capital costs.

The premium shortfalls experienced by the Stabilisation Fund under scenario 3 raise questions over additional costs to be borne by the government. Acceptance of the Stabilisation Fund's request for non-profit status by Revenue Canada could help lower the premium shortfall. A premium shortfall would however remain when the present value of the losses to the Stabilisation Fund exceed 3 per cent of capital costs.

TABLE 11.19
LOSSES ON STABILISATION FUND LOANS FOR VARIOUS PROGRAM ALTERNATIVES UNDER THREE ECONOMIC SCENARIOS

PROGRAM ALTERNATIVES	LOSSES TO STAB. FUND (% OF CAPITAL COSTS)	PREMIUM SHORTFALL (% OF CAPITAL COSTS)
ECONOMIC SCENARIO 1		
Current ILM program	0.0	0.0
ECONOMIC SCENARIO 2		
Current ILM program	0.1	0.0
ILM program W/O 2% tilt	4.8	1.8
Market rent index ILM	1.4	0.0
ECONOMIC SCENARIO 3		
Current ILM program	15.2	12.2
ILM program W/O 2% tilt	25.5	22.5
Market rent index ILM	27.4	24.4

SOURCE: ILM Risk Analysis Study, CMHC, 1990.

Table 11.20 presents results on the rate of Stabilisation Fund loans per co-operative and their average duration.
The maximum loan amount for each co-operative is equal to 10 per cent of initial capital costs indexed annually by the prime rate. The amount of the loan is determined at the time of difficulty and several loans can be made to the same co-operative before its maximum limit is reached. One loan is considered to be any continuous period of receiving money from the Stabilisation Fund.

Table 11.20 indicates that 0.2 and 0.4 loans per co-operative occur for the current program and the Market Rent Index ILM respectively under scenario 2. The average durations of each loan under these two program design are 4.1 and 10.4 years respectively. The No Tilt ILM experiences the highest loan rate with 1.2 loans per co-operative with an average duration of 7.6 years.

The number and duration of loans increase under scenario 3. The current program, which experiences the lowest rate of default under scenario 3, has the highest rate of loans with 1.7 loans per co-operative with an average duration of 9.6 years. The Market Rent ILM and the No Tilt ILM both experience loan rates of 1.3 per co-operative with average durations of 17.2 and 11.8 years respectively.

TABLE 11.20
FREQUENCY AND DURATION OF STABILISATION FUND LOANS
FOR VARIOUS PROGRAM ALTERNATIVES
UNDER THREE ECONOMIC SCENARIOS

	STABILISATION FUND LOANS	
PROGRAM ALTERNATIVES	**RATE PER PROJECT**	**AVERAGE DURATION (YEARS)**
ECONOMIC SCENARIO 1		
Current ILM program	0.0	0.0
ECONOMIC SCENARIO 2		
Current ILM program	0.2	4.1
ILM program W/O 2% tilt	1.2	7.6
Market rent index ILM	0.4	10.4
ECONOMIC SCENARIO 3		
Current ILM program	1.7	9.6
ILM program W/O 2% tilt	1.3	11.8
Market rent index ILM	1.3	17.2

SOURCE: ILM Risk Analysis Study, CMHC, 1990.
NOTE: Rate of loans per project includes cases where more than one loan may have been made for the same co-operatives.

Other Risks of Default

The Risk Analysis Study has addressed the risk of default related to economic or market factors. There exists however other potential reasons for default including poor management and severe structural problems. The risk levels identified in the previous section should therefore be treated as a floor or minimum level of risk.

The experience of default with the Section 61, Section 95 and FCHP housing co-operatives has been very small. So far, only two co-operatives have defaulted on their mortgage. To get a complete picture, one must also consider that many co-operatives developed under the Section 61 and Section 95 have experienced severe difficulties and have undergone or are undergoing a workout process with the help of CMHC. An examination of the data on workouts reveals interesting information on the roots of the problems experienced by co-operatives as well as the solutions which were necessary.

Table 11.21 presents the number of Section 61 and Section 95 housing co-operatives which have experienced difficulties resulting in workouts between 1988 and 1990. In total, less than 1 per cent of the co-operatives were the subject of CMHC workouts each year. The primary reasons for approximately half of these workouts were due to factors other than market downturn, although market downturns may have contributed to exaggerate problems experienced by the co-operatives.

Only one of the co-ops which went through the workout process resulted in a default. The solutions used to solve the problems of the other co-operatives undergoing a workout included increasing federal assistance, reamortising the mortgage, increasing loans with NHA insurance as well as increasing occupancy charges.

With the exception of increased federal assistance, the solutions used in workouts of Section 61 and Section 95 co-operatives would appear to be available for ILM co-operatives. The reamortisation from 30 years to 35 years is inherent in the design of the FCHP while increased loans of up to 10 per cent of capital costs are available from the Stabilisation Fund. Increases in occupancy charges may however be more difficult in ILM co-operatives as occupancy charges are more likely to already be close to market-rent levels.

TABLE 11.21
NUMBER OF HOUSING CO-OPERATIVES UNDERGOING
WORKOUT PROCESS (1988-1990)

REASON FOR DIFFICULTIES	NUMBER OF HOUSING CO-OPERATIVES 1988	1989	1990
Construction deficiencies	1	3	4
Inadequate upgrading	2	1	0
Lack of management skills	2	0	0
Problems at commitment	2	0	1
Market downturn	5	3	5
TOTAL	12	7	10
Total number of co-ops	1,533	1,640	1,668
% of co-ops on workouts	0.78	0.43	0.60
Total number of co-ops excluding market downturn	7	4	5
% of co-ops in workouts	0.45	0.24	0.54

SOURCE: SHPMG Project Workouts, CMHC, 1990.

D. Summary

The evaluation of the ILM examined two major issues. The first issue is to what extent the ILM has enabled the program to obtain the expected lower interest rates as a result of the removal of the inflation risk for potential investors.

This chapter also provides the first step in addressing the second issue of whether the design of the ILM and of the current program provide a reasonable balance between minimising default risk and minimising the need for federal subsidy.

Overall, the weighted average real interest rate realised on the ILM was 4.97 per cent and remained within 15 percentage points of 5 per cent for all quarters except one from 1986 to 1990.

Real interest rates higher than 4 per cent contributed to prevent the achievement of the ceiling of 5,000 units per year set at the outset of the program, but were not the only factor. Higher than expected capital and operating costs have also played a role in lowering the number of units delivered each year.

While the average real interest rate realised on the ILM is higher than historical average real interest rates on comparable investments, it is lower than the real rates for these investments from 1985 to 1989. Long-term cost savings related to ILM real interest rates will depend on whether the 1980's mark the beginning of a period of higher real interest rates than experienced in the 1960's and 1970's.

A total of 16 lenders made loans under the ILM with three lenders accounting for close to 65 per cent of loans and over 70 per cent of loan amounts. Matching returns with future indexed liabilities and the NHA mortgage insurance guarantee were most often cited as the main reasons for investing in the ILM. Three other factors often cited were the fixed real rate of return, the attractive long-term real rate and diversification of investment portfolios.

The analysis identified a number of changes to the ILM which would increase interest in the ILM and competition, thereby creating the potential for decreases in real interest rates.

First, the government could make a commitment to the ILM as an investment vehicle and erase the uncertainty linked to the experimental nature of the current program. Second, a guaranteed stream of payments would prevent the uncertainty related to the risk of early prepayment from the MIF in case of default. Third, a higher volume and improved liquidity, for example through securitisation, would increase investor interest. Finally, improved information, external review of the ILM and improved targeting of marketing to the persons generating investment strategies and policies would also increase interest in the ILM. Interestingly, the complexity of the ILM and the 2 per cent tilt factor were not major factors in restraining investments in the ILM.

The risk analysis study tested the risk of default for three program designs under three economic scenarios. No defaults occurred for the current program under scenario 1. Some defaults occurred under scenario 2, but claims to the MIF fell well within the 3 per cent premium level for all three program designs.

Defaults increased significantly under scenario 3 and claims to the MIF exceeded the 3 per cent premium level for all three programs, resulting in contingent liabilities. The current program performed significantly better than a program design without the 2 per cent tilt factor or a program where the federal subsidy is indexed according to changes in the local market rents instead of the CPI.

Losses to the Stabilisation Fund under scenario 2 were within its 3 per cent premium with the exception of the No Tilt ILM program design. On the other hand, losses to the Stabilisation Fund were above the 3 per cent premium level for all three program designs under scenario 3, resulting in premium shortfalls. Again, the current program performed better than the two other program designs tested.
Finally, the rate of Stabilisation Fund loans and their average duration varied by program design and were generally larger under scenario 3. The premium shortfalls experienced by the Stabilisation Fund under scenario 3 raise questions over potential additional costs to be borne by the government.

The contingent liabilities from the MIF and premium shortfalls of the Stabilisation Fund represent additional costs which will be considered in the dynamic cost-effectiveness analysis presented in Chapter XIII.

The Risk Analysis Study addressed the risk of default related to economic or market factors, but could not take into account default risks related to other factors such as poor management, inadequate initial upgrading or construction deficiencies.

CMHC administrative data for 1988, 1989 and 1990 show that less than one per cent of all co-operatives annually experienced difficulties resulting in workouts between 1988 and 1990. Only one of the workouts resulted in the default of a co-operative.

The primary reasons for approximately half of these workouts were other than market downturn. With the exception of increased federal assistance, the solutions used in the workouts of Section 61 and Section 95 co-operatives would appear to be available for ILM co-operatives.

XII CO-OPERATIVE HOUSING PROJECT REVENUES AND EXPENDITURES

A. Introduction

This chapter examines the revenue and expenditure situation of co-operative housing projects using data from co-operative housing project financial statements. The costs of operating a project are current operations (including provision of reserves to meet future repair needs) and amortisation of the mortgage. The revenue to meet these costs comes from occupancy charges to tenants, federal government subsidies, and other sources.

B. Co-operative Housing Budgeting Process

Co-operatives prepare and submit financial statements to CMHC annually. They include statements of revenues and expenses, and balance sheets, and are usually prepared by chartered accountants. Audited statements must be submitted within four months of the financial year end[1]. For the purpose of this chapter, the reporting year will be considered to be the year containing the financial year end. For example, a co-operative with a year end falling in January 1989 will have its statement included with those of others ending in 1989 even though most of its operations occurred during 1988.

When branch offices receive the financial statement they review all figures to ensure that expenditures and revenues for the past year and budgets for the next year fall within program guidelines. The accounting system used for co-operative financial statements consists of nearly thirty revenue and expenditure items. These were grouped into the summary categories shown in Table 12.1 for analysis in this chapter.

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[1] After the statement is approved, branch office staff load the administrative data onto the financial administration data file called AGRSHRX. AGRSHRX contains the most recent four financial statements for every co-operative. At June 1990, 35 new statements for 1990 had been added to AGRSHRX. The file contained 1,261 out of 1,662 statements for 1989; 1,414 of 1,553 for 1988; 1,331 of 1,352 for 1987; and 945 of 1,344 for 1986.

TABLE 12.1
REVENUE AND EXPENDITURE SUMMARY CATEGORIES

REVENUES

1. **RENTS**

2. **OTHER PROJECT REVENUE**
   Interest
   Fees and charges (eg. laundry charges)

3. **FEDERAL SUBSIDIES**
   Section 95 - income tested
   Section 95 - predetermined
   Section 95 - current
   Federal rent supplement

4. **OTHER REVENUE**
   Provincial rent supplement
   Subsidies of other governments

EXPENSES

1. **OPERATING COSTS**
   Taxes (including corporate and income taxes)
   Utilities (including electricity, water, heating)
   Operations (including professional fees, advertising, legal, audit, coverage of bad debts, garbage and snow removal, insurance, janitorial services, etc.)
   Administration
   Maintenance
   Reserve funds (including rent surcharges and replacement)

2. **AMORTISATION**
   Principal and interest

C. Summary of Expenditures and Revenues

Table 12.2 presents the revenue and expenditure statements for all co-operative projects for 1988-89.

Expenditures for Section 61 projects were $34.6 million in 1989, or $5,013 per unit. Revenues were $34.7 million, or $5,017 per unit, resulting in an operating surplus of $4 per unit.

Expenditures for Section 95 projects were $344.0 million, revenues were $353.6 million. The surplus was $9.6 million or $242 per unit. Per unit, Section 95 project expenses were $8,721 and revenues were $8,963.

TABLE 12.2
CO-OPERATIVE HOUSING EXPENDITURES, REVENUES AND SURPLUS BY PROGRAM, 1988-1989[1]

	SECTION 61		SECTION 95		FCHP	
	TOTAL (MILLIONS) $	AVERAGE PER UNIT $	TOTAL (MILLIONS) $	AVERAGE PER UNIT $	TOTAL (MILLIONS) $	AVERAGE PER UNIT $
Expenditures	34.6	5,013	344.0	8,721	39.1	7,668
Revenues	34.7	5,017	353.6	8,963	40.6	7,965
Surplus	0.1	4	9.6	242	1.5	297
Number of projects	219		1,118		160	
Number of units	6,907		39,446		5,097	

SOURCE: AGRSHRX administrative data base, CMHC, 1990.

NOTE: [1] Section 61 and 95 data, comprising 99 per cent of all projects, are taken from 1988 statements; ILM data, comprising 77 per cent of all projects, are taken from 1989 statements. As can be seen, all program data are recorded by calendar year. In 1987 there were only 8 ILM statements and 77 in 1988. Section 61 and 95 statements are essentially complete for 1987 and 1988.

FCHP projects recorded expenditures of $39.1 million ($7,668 per unit) with revenues of $40.6 million ($7,965 per unit) and showed a surplus of $1.5 million ($297 per unit).

Per unit expenditures and revenues were highest for Section 95 projects and lowest for Section 61 projects. As non-profit corporations, co-operatives set rents at levels that will just cover expenses, so revenues by program are close to corresponding expenses.

A direct comparison of revenue and expense statements among programs can be very misleading. Differences in program designs mean that the relative size of operating budgets and the mix of expenditure and revenue items will vary between programs. For example, Section 61 financial statements show no subsidy revenue items because the subsidy takes the form of payment forgiveness on 10 per cent of capital cost and a preferred long-term mortgage rate on the remainder. Project revenues must cover costs, but costs comprise different items than in Section 95 statements.

In the following discussion of budgets, only expenditures will be considered in detail. Any analysis of amortisation costs or of revenues requires a preliminary discussion of the program subsidy mechanisms. This will be dealt with in the chapter on cost-effectiveness.

D. Program Expenditure

Expenditure and Revenue by Budget Category

Table 12.3 shows the distribution of expenditures by budget categories. The largest single expenditure component by far is for amortisation which accounts for 70 per cent of all expenditures. Proportionally, amortisation accounts for about 46 per cent of expenditures under the Section 61 Program, while amortisation represents over 71 per cent of expenditures under the Section 95 and FCHP Programs.

Of operating expenditures, taxes are the largest category accounting for 27 to 30 per cent of operating costs depending on the program. Maintenance uses about 20 per cent of the operating budgets of Section 61 and 95 projects, but only 12.4 per cent for FCHP projects. The major remaining difference in the distribution of expenditures is the relatively greater importance of reserve allowances made by FCHP projects than by other projects. FCHP projects expend 16.8 per cent of costs on reserves for future repair needs while Section 61 and 95 projects expend 7.4 and 9.4 per cent respectively.

On a per unit basis, operating costs are highest in Section 61 projects at $2,722. This is 24 per cent higher than FCHP operating costs of $2,191, and 11 per cent higher than Section 95 costs of $2,460.

The majority of the difference is accounted for by higher taxes, utilities, and maintenance in Section 61 projects which are $697 higher than in FCHP projects and $270 higher than in Section 95. Maintenance is expected to be higher in the older programs. The difference in taxes between Sections 61 and 95 projects and FCHP projects may be at least in part accounted for by the higher proportion of apartment units in FCHP projects than in the other co-operatives (see Table 3.3). Apartments are taxed at lower rates than detached or row housing.

TABLE 12.3
OPERATING EXPENDITURES BY PROGRAM
1988-1989

BUDGET CATEGORIES	UNITS	EXPENDITURES (MILLION $)	PER CENT		DOLLARS PER UNIT
			OPERATING EXPENSES	TOTAL EXPENSES	
SECTION 61	6,907	34.6			5,013
Taxes		5.1	27.0	14.7	744
Utilities		3.3	17.5	9.5	482
Operations		2.8	14.8	8.1	388
Maintenance		4.1	21.7	11.9	588
Administration		2.2	11.6	6.4	316
Reserves		1.4	7.4	4.0	204
Total operating		18.9	100.0		2,722
Amortisation		15.8		45.7	2,290
SECTION 95	39,446	344.0			8,721
Taxes		29.8	30.7	8.7	755
Utilities		13.7	14.1	4.0	347
Operations		14.7	15.1	4.3	374
Maintenance		17.4	17.9	5.1	442
Administration		12.3	12.7	3.6	312
Reserves		9.1	9.4	2.6	230
Total operating		97.0	100.0		2,460
Amortisation		247.0		71.8	6,262
FCHP	5,097	39.1			7,668
Taxes		3.2	28.3	8.2	622
Utilities		1.7	15.0	4.3	329
Operations		1.6	14.2	4.1	317
Maintenance		1.4	12.4	3.6	266
Administration		1.5	13.3	3.8	285
Reserves		1.9	16.8	4.9	372
Total operating		11.3	100.0		2,191
Amortisation		27.9		71.4	5,476

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990.

For completeness of reporting, program revenue components are shown in Table 12.4. However they will not be discussed in this chapter.

TABLE 12.4
OPERATING REVENUES BY PROGRAM
1988-1989

BUDGET CATEGORIES	**UNITS**	**MILLION DOLLARS**	**PER CENT**	**DOLLARS PER UNIT**
SECTION 61	6,907	34.594	100	5,009
Rent		28.432	82.0	4,116
Interest and misc.		2.077	5.9	294
Sec. 95 - income tested		N/A	-	-
Sec. 95 - predetermined		N/A	-	-
Sec. 95 - current		N/A	-	-
Rent supplement		0.004	0.0	0
Municipal grants		4.086	11.8	592
SECTION 95	39,446	353.451	100	8,960
Rent		172.885	48.9	4,383
Interest and misc.		10.580	3.0	268
Sec. 95 - income tested		42.297	12.0	1,072
Sec. 95 - predetermined		126.065	35.6	3,196
Sec. 95 - current		N/A	-	-
Rent supplement		N/A	-	-
Municipal grants		1.624	0.4	41
FCHP	5,097	40.593	100	7964
Rent		25.424	62.6	4988
Interest and misc.		1.192	2.9	234
Sec. 95 - income tested		N/A	-	-
Sec. 95 - predetermined		N/A	-	-
Sec. 95 - current		8.691	21.4	1705
Rent supplement		4.211	10.3	826[1]
Municipal grants		1.075	2.7	211

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990.

NOTE: [1] Represents all rent supplement revenues, divided by all units, including non-RGI units. Rent supplement revenue per assisted unit amounts to about $2,500. (Proportion of assisted units estimated at 32 per cent).

Comparison with social housing operating costs

The appropriateness of co-operative housing operating costs can be interpreted by comparing them to similar costs for private rental or social housing projects. Non-profit and public housing operating costs will be used as the basis of this comparison.

In comparing operating expenditures (excluding amortization) for co-operative housing projects with those recorded for non-profit and public housing projects, it appears that co-operative housing projects are considerably less costly to operate. Among the co-operative programs, operating costs were highest for Section 61 projects (averaging $2,722 per unit), followed by Section 95 projects ($2,460 per unit) and FCHP projects ($2,191 per unit). By comparison, average operating costs per unit were $4,152 for Section 27 Non-Profit projects, $3,329 for Section 95 Non-Profit projects and $4,391 for public housing projects (Table 12.5).

In terms of their periods of delivery, the Section 61 Co-operative housing portfolio is comparable to the Section 27 Non-Profit portfolio, as is the Section 95 Co-operative portfolio with that of the Section 95 Non-Profit program. Operating expenditures for the co-operative and public housing portfolios are less easily compared, due to differences in the characteristics of the stock, clients and expenditure categories themselves.

Two of the principal differences between the co-operative and public housing portfolios are the age of the stock and the types of clients served. The co-operative housing portfolio is relatively new and serves predominantly family households with a broad range of incomes. In contrast, the public housing stock is considerably older and is fully targeted to low-income households. Only approximately one-half of public housing units are occupied by family households, however. Family housing projects are generally more costly to operate (when measured on a per unit basis) than seniors projects, given their larger unit sizes and the greater numbers of people occupying the units and using common areas.

To control for these differences in the two portfolios, an estimate of per unit operating expenses for post-1974 family public housing projects is included for comparative purposes ($6,504). Geographical differences in the distribution of the co-operative and public housing portfolios are also in evidence, however. To the extent that operating costs vary in different parts of the country, this will have an impact on the average operating costs recorded for the two portfolios. To control for differences in the geographical distribution of the co-operative and public housing portfolios, an estimate of the operating expenses for post-74 family public housing projects located in Ontario, Quebec, British Columbia, Alberta, Manitoba and Nova Scotia has also been included in Table 12.5. Fully 96 per cent of all co-operative housing units are located in these six provinces. At $4,087 per unit, operating costs in this component of the public housing portfolio are 50 per cent higher than those recorded for Section 61 Co-operative projects and 66 per cent higher than those of Section 95 Co-operative projects.

TABLE 12.5
COMPARISON OF OPERATING COSTS FOR THE CO-OPERATIVE, NON-PROFIT AND PUBLIC HOUSING PROGRAMS

Program Portfolio	AVERAGE COST PER UNIT
Co-operative Housing	
Section 61	$2,722
Section 95	$2,460
FCHP	$2,191
Non-Profit Housing	
Section 27	$4,152
Private Non-Profits	$4,032
Public Non-Profits	$4,631
Section 95	$3,329
Private Non-Profits	$3,383
Public Non-Profits	$3,272
Public Housing	
All projects	$4,391
Post-74 family projects	$6,504
Post-74 family projects in Ontario, Quebec, B.C., Alberta, Manitoba and Nova Scotia	$4,087

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990, Program Portfolio Management Division (approved public housing budgets for 1988) and Public Housing Administrative Expense Data Base, Program Evaluation Division, CMHC, 1988.

In addition to differences in the composition of the respective portfolios, some components of expenditures for co-operative housing projects are not directly comparable to public housing expenditure categories. For example, while co-operative projects annually set aside funds in replacement reserves, expenditures on modernization and improvements in public housing projects are budgeted for as the need arises. Average expenditures on replacement reserves were $204 per unit for Section 61 co-operatives, $230 per unit for Section 95 co-operatives and $372 per unit for FCHP co-operatives. In comparison, budgets approved for 1988 allocated an average of

$607 per unit in Modernization and Improvement (M&I) expenditures for public housing projects. Average M&I expenditures on projects of an age comparable to co-operative housing projects should be considerably lower than this portfolio average.

The aforementioned caveats suggest that comparisons between average operating costs in the co-operative and public housing portfolios be made with some caution.

Detailed 1989 expenditure data for both co-operative and non-profit housing projects are presented in Table 12.6, for comparative purposes. When compared with Section 27 Non-Profit projects, Section 61 Co-operative projects registered lower expenditures per unit in utilities, operations, administration and replacement reserves. The most dramatic differences were observed in the project operations category, where per unit expenditures for co-operative projects ($388) were much lower than those recorded for Section 27 Non-Profit projects ($1,593). Expenditures on taxes were somewhat higher for Section 61 co-operative projects than for Section 27 Non-Profit projects, while maintenance expenditures were similar in magnitude.

In the case of Section 95 projects, per unit operating expenses were lower for co-operative housing projects than they were for non-profit projects in every expenditure category except that of replacement reserves.

TABLE 12.6
OPERATING EXPENDITURES FOR
CO-OPERATIVE AND NON-PROFIT PROJECTS BY PROGRAM
1988-1989

	AVERAGE EXPENDITURES PER UNIT			
BUDGET CATEGORIES	**CO-OPERATIVE PROJECTS SECTION 61**	**CO-OPERATIVE PROJECTS SECTION 95**	**NON-PROFIT PROJECTS SECTION 27**	**NON-PROFIT PROJECTS SECTION 95**
Taxes	744	755	704	925
Utilities	482	347	690	586
Operations	388	374	1,593	672
Maintenance	588	442	584	529
Administration	316	312	358	396
Reserves	204	230	223	222
Total operating	2,722	2,460	4,152	3,330
Amortisation	2,290	6,262	1,870	5,206

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990.

While differences in operating costs may partially reflect differences in the characteristics of the portfolios being compared, it is plausible that the lower operating costs associated with co-operative housing may in part be due to the involvement of co-operative housing residents (on a volunteer basis) in the management of their projects. Resident involvement in the management of their buildings is a unique feature of co-operative housing, and the unremunerated contribution of residents' time to perform all or some portion of project management tasks has been suggested to be capable of yielding lower project operating costs. Also, non-RGI residents bear all of their operating cost increases, unlike public housing or Non-profit tenants. They therefore have more incentive to keep costs low, and have approval power over expenditures.

As was reported earlier in Chapter IX, a majority of co-operatives in all of the federal co-operative programs are managed directly by the residents on a voluntary (unpaid) basis. In total, 72.2 per cent of FCHP co-operatives, 73.5 per cent of Section 95 co-operatives and 74.8 per cent of Section 61 co-operatives use this approach. Elsewhere, in Chapter VII, it was estimated that the value of the time contributed by co-operative housing residents to "co-operative housing activities" ranged from $905 to $1,430 per household per annum. If the time contributed by co-operative housing residents has been allocated to activities which, in non-profit and public housing projects, would have been accomplished through the use of paid labour, this may account in part for the lower average operating costs observed in the co-operative housing portfolio.

E. Trends in Expenditures, 1986-89

Table 12.7 shows per unit operating expenses of the co-operative housing portfolio between 1986 and 1989 in constant 1989 dollars. Constant dollars isolate changes in real project costs from inflation over the four-year period.

Section 61 expenditures per unit increased over the period for taxes, maintenance, administration and reserve allowances. Increases ranged from 6.2 per cent for administration to 15.1 per cent for maintenance. The operating portion of total costs increased from $2,697 to $2,878 or by 6.7 per cent. Section 95 operating costs increased by 3.1 per cent, from $2,477 to $2,557, on the same six items.

Financial statements were available for only eight FCHP projects for 1987; these figures are not used to compare operating cost increases. From 1988 to 1989, total operating costs increased in FCHP projects from $1,831 to $2,167, or by 18.4 per cent.

Section 95 real operating costs are growing slowly and have been more than offset by declining amortisation costs. This may reverse in the next five years as projects renew mortgages that were originated at the relatively low interest rates of the mid-eighties. Section 61 projects have experienced more rapidly growing real operating costs. Unlike Section 95 projects, the long-term mortgages associated with this program will result in further declines in amortisation costs.

TABLE 12.7
EXPENDITURES PER UNIT, 1986-1989
(CONSTANT 1989 $)

	FINANCIAL YEAR			
BUDGET CATEGORIES	**1986**	**1987**	**1988**	**1989**
SECTION 61				
Taxes	748	771	783	786
Utilities	508	495	507	500
Operations	587	404	408	443
Maintenance	530	576	618	610
Administration	324	313	332	344
Reserves	-	179	214	195
Total operating cost	2,697	2,738	2,861	2,878
Amortisation	2,610	2,500	2,410	2,301
Total cost	5,307	5,238	5,271	5,179
SECTION 95				
Taxes	753	784	794	760
Utilities	373	356	365	363
Operations	614	414	393	376
Maintenance	420	454	465	470
Administration	317	328	328	346
Reserves	-	244	242	242
Total operating cost	2,477	2,580	2,587	2,557
Amortisation	7,714	7,716	6,591	6,092
Total cost	10,191	10,296	9,178	8,649
FCHP				
Taxes	-	-[1]	522	617
Utilities	-	-	267	337
Operations	-	-	317	317
Maintenance	-	-	224	265
Administration	-	-	211	298
Reserves	-	-	289	333
Total operating cost	-	-	1,831	2,167
Amortisation	-	-	4,721	5,515
Total cost	-	-	6,552	7,682

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990.
NOTE: [1] Only eight financial statements available in 1987 for FCHP co-operatives.

F. Expenditures by Project Characteristics

Having reviewed temporal trends in expenditures over the 1986-89 period, this section presents the variation in operating costs across different components of the portfolio based on the last approved financial statement (Table 12.8).

Although one might expect family projects to have higher operating costs than projects for seniors, there is little difference in operating expenditures by client type. Similarly, operating expenditures do not increase discernably as a project ages. Under project type, however, expenditures are somewhat greater for more complex building or project forms (ie. mixed projects, apartments) and this trend is more pronounced for Section 61 expenditures. Under Section 61, "other" projects which include mobile home, hostel and non-residential forms have almost doubled the operating expenditures compared with other forms.

An examination of expenditures by province and territory shows few trends across programs. Ontario has expenditures consistently among the highest for all programs, while British Columbia, Québec and Newfoundland have expenditures consistently among the lowest for all programs.

TABLE 12.8
OPERATING EXPENDITURES BY PROJECT CHARACTERISTICS

	SECTION 61		SECTION 95		FCHP	
PROJECT CHARACTERISTICS	AVERAGE PER UNIT	# UNITS	AVERAGE PER UNIT	# UNITS	AVERAGE PER UNIT	# UNITS
ALL PROJECTS	2,807	6,913	2,551	39,516	2,157	5,602
CLIENT						
Family	2,824	6,579	2,569	37,487	2,181	5,045
Senior	2,464	334	2,233	1,796	1,939	557
Special purpose	-	-	2,109	233	-	-
PROJECT AGE						
1970-1974	2,919	78	2,534	306	-	-
1975-1979	2,808	5,981	2,605	646	-	-
1980-1984	2,792	854	2,560	26,330	-	-
1985-1990	-	-	2,529	12,234	2,157	5,602
PROJECT TYPE						
Single	2,385	401	2,299	1,494	2,185	168
Low rise	2,638	2,145	2,536	15,821	2,169	1,989
Apartment	2,730	2,517	2,587	12,891	2,074	2,679
Other	5,137	73	2,130	400	-	-
Mixed	3,102	1,777	2,588	8,910	2,411	766
PROJECT SIZE (UNITS)						
Less than 10	2,203	468	2,084	1,129	1,735	83
10-49	2,484	1,774	2,287	16,637	1,961	3,300
50-99	2,967	2,573	2,611	12,967	2,310	1,817
100-199	2,969	1,623	2,990	7,480	3,165	402
200 or more	3,188	475	3,225	1,303	-	-
PROVINCE/TERRITORY						
Newfoundland	-	-	1,931	360	1,347	12
Prince Edward Island	-	-	2,097	62	2,606	52
Nova Scotia	3,623	133	2,138	1,299	1,575	112
New Brunswick	-	-	2,841	550	2,280	127
Québec	2,124	2,001	2,206	11,367	1,788	2,024
Ontario	3,387	3,482	3,210	12,794	2,730	1,560
Manitoba	-	-	3,402	1,332	2,442	254
Saskatchewan	2,809	139	2,499	575	3,021	100
Alberta	2,142	270	2,909	1,766	1,998	197
British Columbia	2,017	888	1,942	9,311	1,936	1,164
Northwest Territories	-	-	3,262	100	-	-

SOURCE: Administrative Data Base, AGRSHRX, CMHC, 1990.

G. Summary

This chapter examined the revenue and expenditure situation of co-operative housing projects using data from co-operative housing project financial statements. The costs of operating a project are current operations (including provision of reserves to meet future repair needs) and amortisation of the mortgage. The revenue to meet these costs comes from occupancy charges to tenants, federal government subsidies, and other sources.

Expenditures for Section 61 projects were $34.6 million in 1989, or $5,013 per unit just balancing revenues. Section 95 projects together had a surplus of $9.6 million or $242 per unit. FCHP projects recorded a surplus of $1.5 million or $297 per unit.

The largest single expenditure component is by far amortization payments which account for 70 per cent of all expenditures. Taxes constitute, at approximately 30 per cent, the largest component of operating expenditures (i.e. total expenditures minus amortisation costs). Maintenance accounts for another 20 per cent of operating expenditures for Section 61 and 95 co-operatives but, as could be expected, for only 12.4 per cent in FCHP projects. On the other hand, expenditures for replacement reserves constitute a higher proportion of operating expenditures for the FCHP co-operatives than for Section 61 and 95 co-operatives.

On a per unit basis, operating costs are highest in Section 61 projects at $2,722. This is 24 per cent higher than FCHP operating costs of $2,191, and 11 per cent higher than Section 95 costs of $2,460. This evidence supports the assumption that operating expenditures increase with project age.

In comparing operating expenditures (excluding amortization) for co-operative housing projects with those recorded for public housing projects, it appears that co-operative housing projects are considerably less costly to operate. While comparison of operating costs in the co-operative and public housing portfolios must be made with caution, it is plausible that a portion of the difference in the costs of operating the two portfolios may be attributed to the involvement of co-operative housing residents (on a volunteer basis) in the management of their projects.

Section 95 real operating costs are growing slowly and have been more than offset by declining amortisation costs. Section 61 projects have experienced more rapidly growing real operating costs but unlike Section 95 projects, their long-term mortgages will result in further declines in real amortisation costs.

There is little difference in operating expenditures by client type. Operating expenditures are somewhat greater for more complex building or project forms (ie. mixed projects, apartments) and this trend is more pronounced for Section 61 expenditures. Under Section 61, "other" projects which include mobile home, hostel and non-residential forms have almost doubled the operating expenditures compared with other forms.

An examination of expenditures by province and territory shows few trends across programs. Ontario has expenditures consistently among the highest for all programs, while British Columbia, Québec and Newfoundland have expenditures consistently among the lowest for all programs.

XIII COST-EFFECTIVENESS OF THE ILM CO-OPERATIVE HOUSING PROGRAM

A. Introduction

This chapter examines the relative cost-effectiveness to government of each of the federal co-operative housing programs.

Unlike cost-benefit analysis, cost-effectiveness analysis does not attempt to measure and quantify all the costs and benefits of a particular program. Although it shares the same economic criteria for measuring costs, cost-effectiveness analysis focuses on the costs of providing a defined objective or unit of output. Cost-effectiveness assumes that the investment required to achieve the objective of the program will yield positive returns to society. The main question addressed here is which program alternative provides a given output for the least cost to government.

The evaluation examines the 1986 Federal Co-operative Housing Program (FCHP) as well as the previous co-operative programs under Sections 61 and 95 of the NHA. The main focus of the cost-effectiveness analysis will therefore be on a comparison of these three programs. Modified program designs are also examined.

Although these three programs have similar objectives, these vary slightly. For example, the Sections 61 and 95 programs provided housing at the low-end of market rents for non-RGI tenants, while the current program provides housing at market rents. The three co-operative programs also include a component to provide housing assistance to low-income Canadians who qualified for rent-geared-to-income assistance. Although the definition of this group has evolved in recent years with the introduction of the core housing need concept, the major objective of this component of the program has remained steady over the years.

This chapter examines the cost-effectiveness of market "supply assistance" only. Deeper geared-to-income assistance specifically targeted to low income households is excluded from estimated costs since the level of assistance is tied directly to the income of each household. For a given household, the direct cost of geared-to-income assistance would be the same for a given income, rent-to-income scale and normal occupancy charge.

The three co-operative housing programs provide assistance in different ways using a variety of mortgage instruments, capital grants, interest write-downs, on-going subsidies and mortgage insurance. The three programs also use different cost controls and initial occupancy charges.

The 1986 program is the only one where the level of "market" assistance is explicitly separate from the rent-geared-to-income assistance. A major change in the 1986 Federal Co-operative Housing Program was to separate the market housing and social housing components of the program. The supply assistance provided to the co-operatives represent the market housing component while the units receiving rent supplement assistance represent the social housing component.

An appropriate unit or amount of housing service to be considered in the cost-effectiveness analysis is therefore the provision of a modest housing unit as defined by units committed under the FCHP.

The cost-effectiveness analysis examines whether this new program design indeed results in cost savings in comparison to previous program designs when the unit of housing service provided is held constant. The analysis will consider the present value of the costs incurred by the government for a given portfolio over the life of the agreement under the three programs, including costs related to the default of projects and resulting demands on the Mortgage Insurance Fund (MIF).

To these ends, two approaches are taken in assessing the cost-effectiveness of the Federal Co-operative Housing Program. The first approach is a 'static' one whereby a number of straightforward assumptions are made about the future (such as the behaviour of inflation, market rents and interest rates). In particular, defaults are not explicitly examined and therefore mortgage insurance premiums, if any, are assumed to be 'actuarily fair'. This simply means that all costs and revenues to the MIF are ignored and therefore are assumed to off-set each other. The benefit of this approach is that it allows any number of possible variations to the assumptions and program design features to be isolated and assessed.

The second approach makes use of the ILM Risk Analysis Model developed for the Co-operative Housing Evaluation and discussed in detail in Chapter XI. The resources required for individual simulations on this model preclude its use for a high number of variations in assumptions or alternative program designs. The cash flow of costs to the government, including both subsidy costs and costs to the MIF, are taken from the simulations conducted in the Risk Analysis Study. These costs represent the best available estimates of future costs that would be incurred by the government under the 1986 Federal Co-operative Housing Program.

The cost-effectiveness analysis uses a cross-section of the FCHP current portfolio of projects. The direct subsidy costs which would be incurred by the government over the life of the Operating Agreement under each of the three programs are considered. This cross-section includes projects in various markets across the country. In the "static" case presented in Section B, all FCHP co-operative housing projects committed from 1986 to 1989 are included. The dynamic case presented in Section C only includes unserialised commitments during the same time period because of the complications arising from how to treat a default in a serialised commitment (each commitment has its own separate mortgage but the entire project must be taken down in the event of default). Fifty-one, or 16 per cent, of the 369 projects are serialised commitments.

In order to ensure that the output or benefit is completely standardised under all program design considerations, the same FCHP portfolio is analysed for Sections 61 and 95 cost-effectiveness. Modifications to existing FCHP financial information under alternative specifications are noted where applicable (for example, treatment of Stabilisation Fund/MIF fees, initial setting of occupancy charges, etc.).

B. "Static" Cost-Effectiveness Analysis

The key design feature of the Federal Co-operative Housing Program which was expected to result in substantial cost savings to the federal government when it was introduced was the use of the Index-Linked Mortgage. This was to be achieved through a reduction in the gap between market rents (revenues which co-operatives could earn) and economic rents (operating costs which largely consist of mortgage payments) in the early years of a co-operative's operation. The reduction of the planned tilt to 2 per cent is the primary mechanism under the ILM mortgage instrument which reduces the size of this discrepancy between market and economic rents in the early years of a project. Under a conventional Equal Payment Mortgage used with previous co-operative housing programs, the tilt was equal to the full amount of inflation.

Other features specific to the ILM mortgage and to the general program design were also expected to reduce government subsidy requirements. Such features include the removal of the inflation risk to lenders which was expected to result in a lower real interest rate than available under an EPM mortgage; the setting of initial occupancy charges at market rent (rather than the low end of market rent); and a proposal selection process which places more emphasis on project viability and subsidy requirements.

This chapter compares the relative cost-effectiveness to the government of each of the three federal co-operative housing programs in order to determine whether the FCHP is indeed the most cost-effective of the three to the federal government. Comparisons of actual expenditure data under each of the programs would not provide an accurate base under which to form meaningful conclusions about the relative cost of each because of different time-dependent economic circumstances and project-specific characteristics. Instead, the analysis which follows in this section uses actual characteristics of co-operatives committed under the FCHP as a base for comparing the subsidy mechanisms for all three programs. This ensures that the relative subsidy costs are consistent and fairly represent the same type of housing unit.

Under the Federal Co-operative Housing Program, federal financial assistance takes the form of an annual contribution which is expected to bridge the gap between market and economic rents. First year federal assistance is specifically calculated to bridge the first year gap. Assistance in subsequent years is then locked-in and increased annually by the rate of inflation in the CPI less two per cent over the entire term of the mortgage repayment period. The only other potential adjustment in this time path can occur beginning in the sixteenth year when, if occupancy charges are less than 85 per cent of market rent, federal assistance can be withdrawn by an amount of up to 5 per cent of occupancy charge each year so long as occupancy charges are not consequently pushed above 85 per cent of market rent.

Three discount rates are used in the presentation of present values in this section. These are nominal discount rates of 10.0, 12.5 and 15.0 per cent. The use of the middle 12.5 per cent discount rate is the preferred one and the lower and upper rates are used only to illustrate the sensitivity of the results to the choice of the discount rate. This 12.5 per cent discount rate is consistent with recent Department of Finance approved rates which, in August 1990, ranged from 10.83 to 12.67, depending on the term.

a) Key Assumptions Used in the Baseline Case

Assumptions Common to All Programs

1) Actual inflation equals expected inflation. Both are equal to five per cent per year, as measured by the Consumer Price Index (all-items).

2) **All 369 projects consisting of 11,417 units committed under the FCHP from 1986 to 1989 are included**. Financial information for these co-operatives is based on the Program Delivery System (August 1990).

3) Defaults and the associated costs of default to the Mortgage Insurance Fund are not included in the static analysis. However, MIF receipt of the insurance premium is also not included as a cash inflow to government.

4) Present values are calculated using nominal discount rates of 10, 12.5 and 15 per cent. Because inflation is assumed to be five per cent, these assumptions are equivalent to real discount rates of 5.0, 7.5 and 10.0 per cent respectively.

5) Present values are calculated on an annual basis to the first year of federal assistance ('year one') and is assumed to be the same year as each project is committed. Current dollar present values in each year are then converted to constant 1989 dollars.

6) Unless otherwise indicated, all eligible capital and operating costs are assumed to be the same for each program (such as the funding of reserves).

7) Additional "geared to income" assistance and CMHC administrative costs are not included in the calculation of costs.

Assumptions Specific to the FCHP

8) Federal assistance is calculated as per Guidelines and Procedures as the gap between economic rent (based on eligible capital costs) and market rents in year one plus the sum of present values of federal assistance indexed by inflation less tilt in subsequent years.

9) There is no step-out of federal assistance after the fifteenth year. Full federal assistance proceeds until the year that the outstanding balance on the ILM mortgage is reduced to zero (30 years in the baseline case).

10) Rent Supplement Program costs are excluded.

Assumptions Specific to Section 95

11) Full step-out of federal assistance after the third year is effected by an increase in the net mortgage payment by five per cent per year.

12) Only the market component of federal assistance needed to bridge the gap between economic rents (based on eligible capital costs) and market rents is included. Rather than low end of market, market rents are set to ensure consistency with the FCHP.

13) A private lender EPM mortgage interest rate equal to the average 5 year conventional rate in the year of commitment is assumed (compounded semi-annually). The amortisation period is 35 years. This interest rate ranges from 11.14 to 12.05 per cent. No change in this interest rate is assumed to occur at renewal. The constant interest rate is considered realistic on the grounds that, since commitments are made over a four-year period, fifth-year renewals would also occur over a four-year cycle. It is therefore reasonable to expect that on average there would be little change, although half would rise and half would decline.

14) The Stabilisation Fund fee of 3 per cent is excluded as an eligible capital cost. However, the 3 per cent mortgage insurance premium is retained.

15) Security of Tenure Fund contributions of $40 per unit per year are excluded as an eligible operating expense in year one.

16) Federal assistance in year one is set up to the maximum prescribed by program guidelines, such that the effective mortgage interest rate is 2 per cent. It is assumed that no project needs more than the maximum assistance allowed.

Assumptions Specific to Section 61

17) A direct CMHC EPM mortgage loan is provided in year one with an 8 per cent interest rate (compounded semi-annually) on 90 per cent of eligible capital costs. The amortisation period is 50 years. The remaining 10 per cent of eligible capital costs are covered by an up-front capital contribution by CMHC. In effect, a 100 per cent mortgage loan is provided but repayment is made only on 90 per cent of the loan and interest does not accrue on the remaining 10 per cent capital contribution.

18) It is assumed that no project needs more than the standard Section 61 assistance to reduced economic rents to at least market rent in year one.

19) As with the Section 95 program, the 3 per cent Stabilisation Fund fee is not considered an eligible capital cost. Further, the 3 per cent MIF premium is also excluded as an eligible capital cost since direct mortgage loans are not insured.

20) The present value of the cost of the Section 61 program using ILM commitments is calculated as the initial mortgage loan (including capital contribution) less the sum of the present values of the stream of mortgage payments.

21) As with the Section 95 program, Security of Tenure Fund contributions are excluded as an eligible operating cost in year one.

b) Findings in the Baseline Case for all Programs

Baseline calculations using the assumptions previously outlined show the total costs of each program to be extremely sensitive to the choice of the discount rate. Using the 7.5 per cent real discount rate, the average per unit present value cost in federal operating subsidies under the FCHP is estimated to be $24,831 compared to $24,651 under the Section 95 program and $27,518 under the Section 61 program (Table

13.1). The present value of direct costs to the federal government for supply assistance for commitments from 1986 to 1989 under the FCHP are estimated to be $283,507,613 using a 7.5 per cent real discount rate. For the FCHP, the real average present value of federal assistance on co-operative commitments each year has risen from $22,394 to $29,461. This represents an increase, in real terms, of 32 per cent.

As seen in Table 13.1 however, these findings are not robust. Use of the low and high end discount rates (5 and 10 per cent real respectively) do not sustain the same relative ranking in program costs. Discounting costs at a real 5 per cent discount rate results in per unit costs of $30,532 under the FCHP, $27,118 under the Section 95 program, but only $16,592 under the Section 61 program. Alternatively, under a 10 per cent real discount rate, the FCHP becomes more cost-effective relative to the others, costing $20,836 per unit, compared to $22,614 under the Section 95 program and $34,960 under the Section 61 program.

In general, cost-effectiveness under the FCHP and Section 95 programs are greatest the higher the discount rate because of the timing and direction of cash flow. Both programs involve cash out-flows over an extended period of time. Future payments are discounted such that they become less costly the higher the discount rate. This effect is even more pronounced under the FCHP since the mortgage investment allows for a lower operating subsidy in the early years, but a higher subsidy (relative to the other programs) in later years.

Conversely, the design of the Section 61 co-operative housing program involved the provision of an up-front direct loan. This loan, for the full capital cost of the project, represents an initial cash out-flow to the government in year one. Subsequent mortgage payments by the co-operative represent deductions from this initial cost and are cash in-flows to the government. These payments are appropriately discounted. Therefore a rise in the discount rate used causes the cost of the FCHP and Section 95 programs to decline, while causing the cost of the Section 61 program to increase.

If the selection of a 7.5 per cent or higher real discount rate is the appropriate one in basing cost-effectiveness decisions by government, then these results show little overall difference in cost-effectiveness across the three programs under the assumptions used. This 7.5 per cent real discount rate is equivalent to a 12.5 per cent nominal discount rate which is reasonably close to current CMHC discount rates for August 1990 as set by the Department of Finance (range is from 10.83 for 20 years and over, to 12.67 for one year). A critical assumption used was that program funding mechanisms under the Section 95 and 61 programs would be sufficient to achieve viability in ILM co-operatives. This key assumption is further examined in section e) of this chapter.

TABLE 13.1
ESTIMATED PRESENT VALUE COST (1989 DOLLARS) OF FEDERAL CO-OPERATIVE HOUSING PROGRAMS BY YEAR, USING ILM CO-OPERATIVES ONLY[1]

REAL DISCOUNT RATE = 5%	NUMBER OF CO-OPS	NUMBER OF UNITS	1986 FCHP		SECTION 61[2]		SECTION 95[2]	
			TOTAL PV COST ($)	PV COST PER UNIT ($)	TOTAL PV COST ($)	PV COST PER UNIT ($)	TOTAL PV COST ($)	PV COST PER UNIT ($)
1986	79	2,901	79,877,360	27,534	46,961,747	16,188	73,148,124	25,215
1987	117	3,508	98,514,536	28,083	58,431,449	16,657	83,519,509	23,808
1988	108	2,984	96,879,901	32,467	47,869,086	16,042	80,830,771	27,088
1989	65	2,024	73,316,794	36,224	36,169,235	17,870	72,108,578	35,627
TOTAL	369	11,417	348,588,591	30,532	189,431,517	16,592	309,606,981	27,118
REAL DISCOUNT RATE = 7.5 %								
1986	79	2,901	64,964,667	22,394	77,886,014	26,848	66,946,978	23,077
1987	117	3,508	80,122,378	22,840	96,908,504	27,625	76,326,770	21,758
1988	108	2,984	78,791,646	26,405	79,390,834	26,606	73,346,276	24,580
1989	65	2,024	59,628,924	29,461	59,986,643	29,638	64,815,735	32,024
TOTAL	369	11,417	283,507,613	24,831	314,171,995	27,518	281,435,759	24,651
REAL DISCOUNT RATE = 10%								
1986	79	2,901	54,509,779	18,790	98,950,620	34,109	61,754,936	21,288
1987	117	3,508	67,228,130	19,164	123,117,823	35,096	70,340,815	20,052
1988	108	2,984	66,110,867	22,155	100,862,425	33,801	67,185,281	22,515
1989	65	2,024	50,032,727	24,720	76,210,287	37,653	58,905,278	29,103
TOTAL	369	11,417	237,881,503	20,836	399,141,155	34,960	258,186,311	22,614

SOURCE: Program Delivery System (Co-op, ILM), CMHC, August 1990 and CMHC Guidelines and Procedures Manuals.

NOTE:
[1] Present values are calculated for ILM co-operatives only, where program funding mechanisms under
[2] Sections 61 and 95 are applied to committed ILM projects in PDS.
Federal supply assistance is calculated for programs up to the maximum available under program guidelines.

c) Further Results on the Costs of the Federal Co-operative Housing Program

Present value per unit costs of the FCHP using the baseline assumptions are further disaggregated by province, new or existing structures, and by project size in Table 13.2. Per unit costs as measured by the present value of federal assistance are highest in New Brunswick at $43,666 and in Saskatchewan at $37,779 (using a 7.5 per cent real discount rate). The lowest per unit costs by province are found in British Columbia, at $15,118. With the exception of Saskatchewan, costs tend to be somewhat higher in eastern Canada than in the West. Costs in British Columbia tend to be lowest due to the combination of higher market rents and lower operating costs (excluding mortgage payments) since capital costs are not lower than other provinces. In the east, higher costs are associated with lower market rents.

Results presented in Table 13.2 also show that FCHP projects which acquired existing units rather than building new ones cost the federal government somewhat less. On average, new units cost $26,012 compared to $21,420 for an existing unit. The lower subsidy requirements for existing units are primarily a result of lower eligible capital costs (average: $58,837) compared to new construction ($83,699).

Finally, Table 13.2 breaks down unit costs in federal supply assistance requirements by size of the project. The only observable trend against this characteristic is that co-operatives with 30 or more units seem to be slightly more cost-effective than co-operatives with fewer than 30 units.

TABLE 13.2
PER UNIT FEDERAL COSTS OF THE 1986 FEDERAL CO-OPERATIVE HOUSING PROGRAM BY SELECTED CHARACTERISTICS

			PRESENT VALUE (1989 DOLLARS) PER UNIT		
			REAL	DISCOUNT	RATE
	PROJECTS	UNITS	5%	7.5%	10%
PROVINCE/TERRITORY					
Newfoundland	3	65	32,105	26,092	21,882
Prince Edward Island	3	81	33,108	26,927	22,594
Nova Scotia	20	531	37,013	30,103	25,259
New Brunswick	9	213	53,689	43,666	36,639
Québec	201	3,753	32,309	26,276	22,048
Ontario	51	3,087	34,654	28,185	23,649
Manitoba	13	610	28,590	23,252	19,510
Saskatchewan	5	213	46,451	37,779	31,699
Alberta	14	534	21,150	22,081	18,528
British Columbia	48	2,268	18,588	15,118	12,685
Northwest Territories	1	50	-	-	-
Yukon Territory	1	12	35,850	29,157	24,465
NEW/EXISTING STRUCTURE					
New	227	8,470	31,983	26,012	21,826
Existing	142	2,947	26,337	21,420	17,972
CO-OPERATIVE SIZE					
Less than 15 units	99	975	33,127	26,941	22,605
15 - 29 units	116	2,417	33,525	27,266	22,878
30 - 49 units	86	3,203	29,660	24,123	20,241
50 or more units	68	4,822	29,071	23,643	19,838
CANADA TOTAL	369	11,417	30,532	24,831	20,836

SOURCE: Program Delivery System, CMHC, August 1990.

The preceding analysis based on Table 13.2 is suggestive of certain differences in federal costs for the Federal Co-operative Housing Program. However, in order to more clearly disentangle trends in present value federal assistance requirements, results of a regression analysis are presented in Table 13.3. These results confirm many of the previously-reported findings.

More recent co-operatives have cost the federal government significantly more after controlling for general price inflation. Further, co-operatives developed through he acquisition of existing units are significantly less costly than those which have been developed by new construction. The project size does not appear to be a significant factor in the regression.

Finally, compared to FCHP co-operatives developed in British Columbia, co-operatives developed in Atlantic Canada require the highest levels of federal assistance and this progressively declines westward.

TABLE 13.3
REGRESSION RESULTS ON FCHP
COSTS BY SELECTED CHARACTERISTICS

DEPENDENT VARIABLE: PER UNIT PRESENT VALUE FEDERAL ASSISTANCE (FCHP)

VARIABLE	MEAN	PARAMETER ESTIMATE	T-STATISTIC
Intercept	1.00	-202,075.01	-5.87*
Units in co-operative	30.94	-20.92	-1.04
Commitment year (86-89)	87.43	2500.96	6.35*
Existing Structure (0,1)	0.38	-7,073.21	-7.34*
Atlantic dummy (0,1)	0.09	15,081.51	9.25*
Québec dummy (0,1)	0.54	10,080.62	7.81*
Ontario dummy (0,1)	0.14	8,085.44	5.58*
Prairie dummy (0,1)	0.05	7,957.54	4.05*

N = 369
R- square = 0.3323
* Significant at 99 per cent

d) Extensions to the Baseline Case (FCHP)

Modifications to the baseline assumptions for the FCHP are carried out in order to observe resulting changes to the cost-effectiveness of the program. Two reasons for examining such modifications include determining the sensitivity of the results to assumptions made, and to explore potential ways of making the FCHP more cost-effective.

Table 13.4 presents the estimated costs of the ILM program from 1986 to 1989 (in 1989 dollars) arising from a range of alternative specifications to the model. Model 'A' represents the baseline cases whose assumptions have previously been discussed. All other variations from the baseline case use exactly the same assumptions, with the exception of the parameter which has been purposefully altered.

TABLE 13.4
ESTIMATED PRESENT VALUE COST OF THE FCHP UNDER ALTERNATIVE ASSUMPTIONS AND DESIGNS

	REAL DISCOUNT RATE	TOTAL PRESENT VALUE COST ($)	PER UNIT COST ($)
A. Baseline Case	5%	348,588,591	30,532
	7.5%	283,507,613	24,831
	5%	237,881,503	20,836
B. Maximum possible step-out of federal assistance	5%	253,833,220	22,233
	7.5%	223,844,277	19,606
	10%	199,607,628	17,483
C. Ten per cent of eligible capital costs contributed by members	5%	251,241,263	22,006
	7.5%	204,334,894	17,897
	10%	171,450,394	15,017
D. Zero tilt	5%	220,000,441	19,270
	7.5%	174,218,835	15,260
	10%	142,882,274	12,515
E. Combined 10 per cent contribution with zero tilt (C and D)	5%	140,613,943	12,316
	7.5%	111,352,610	9,753
	10%	91,323,796	7,999
F. Real interest rate at four per cent	5%	257,014,241	22,512
	7.5%	209,030,112	18,309
	10%	175,390,016	15,362
G. Real interest rate at six per cent	5%	449,517,955	39,373
	7.5%	365,593,672	32,022
	10%	306,757,125	26,869
H. Twenty-five year amortisation	5%	386,627,818	33,864
	7.5%	321,354,855	28,147
	10%	273,671,796	23,971
I. Thirty-five year amortisation	5%	321,542,685	28,164
	7.5%	256,993,999	22,510
	10%	213,307,285	18,683
J. Reduction in capital cost by three per cent	5%	319,756,015	28,007
	7.5%	260,058,038	22,778
	10%	218,205,768	19,112
K. Reduction in capital cost by six per cent	5%	292,889,015	25,654
	7.5%	238,207,068	20,864
	10%	199,871,370	17,507

The calculations shown in Table 13.1 assume that there is no step out of federal assistance. FCHP program guidelines provide for step out of federal assistance in each year after the fifteenth year as long as occupancy charges are not consequently pushed over 85 per cent of market rent. However, given that economic rents for FCHP co-operatives are expected to rise due to indexed mortgage payments and as a result of increasing maintenance and repair costs, it is more than conceivable that significant step out will not be possible.

Model 'B' shows how per unit costs would be affected by taking an opposite stance in the step-out assumption. While the baseline case assumed that no step-out of assistance occurs after the fifteenth year, Model 'B' shows the lower costs which would be incurred by the federal government under an assumption of total and complete step-out. In this case, federal assistance has been completely terminated after the fifteenth year. Because of the higher discounting of future cash flow, a reduction in expenditures after the fifteenth year does not have a major impact on overall costs. Per unit costs would range from $17,483 at a 10 per cent real discount rate to $22,233 under the lower 5 per cent discount rate. At a high discount rate in the present value analysis, the impact of the step-out assumption is not large.

Models 'C' to 'K' in Table 13.4 presents a range of different program design alterations with associated costs (simulated). Each of these can be compared with the baseline case in order to demonstrate how these modifications can, in isolation, affect direct program costs. For example, a reduction by 10 per cent in eligible capital costs has been simulated in Model 'C'. This could be viewed as a potential program design modification whereby co-operative members provide a 10 per cent capital contribution toward eligible capital costs. Under a 7.5 per cent real discount rate, this would reduce the per unit cost to the government from $24,831 to $17,897. Another potential modification to the program would involve elimination of the tilt factor from the ILM mortgage. Model 'D' shows how the direct effect on the present value of federal assistance would be even more dramatically reduced. At the 7.5 per cent real discount rate, per unit federal costs would fall from $24,831 to $15,260. It must be emphasised that this does not take into account any change in the cost of defaults. This issue is discussed later in the chapter. Both of these potential modifications have been combined in Model 'E', resulting in a reduction of federal assistance requirements to $9,753. This represents a reduction in the direct federal supply costs by 61 per cent.

Models 'F' and 'G' demonstrate the substantial impact on federal subsidy requirements that a change in the ILM real rate of interest can yield. Real rates since the inception of the program have tended to average around 5 per cent. During 1990, real rates on conventional instruments have reached high levels which have also put upward pressure on the ILM rate. The comparative effects on federal assistance are demonstrated in Models 'F' and 'G' and are quite pronounced. If all FCHP co-operatives had been committed at 4 per cent, federal assistance would have been $18,309 per unit compared to $32,022 if all co-operatives had been committed at 6 per cent real. This spread essentially represents a real rate of "plus or minus" one percentage point and clearly demonstrates the extreme sensitivity of the required subsidy to the real interest rate achieved.

Models 'H' and 'I' show the relatively modest effects that changes to the planned amortisation period would have. A reduction in the planned amortisation period to 25 years, while seen to be preferable to lenders, would raise somewhat the required subsidy. Alternatively, increasing the planned amortisation period to 35 years would slightly reduce subsidy requirements, but would likely be detrimental to the marketability of the ILM.

Finally, Models 'J' and 'K' demonstrate how direct federal subsidy requirements are affected by the Stabilisation Fund fee and Mortgage Insurance premium (each at 3 per cent). Elimination of one of these charges would reduce federal assistance by 8 per cent, from $24,831 to $22,778. A reduction of capital costs by 6 per cent would therefore reduce federal assistance by 16 per cent to $20,864.

e) Sufficiency of Assistance Under the Sections 61 and 95 Programs

Baseline present values in Table 13.1 assumed that federal assistance provided under the Sections 95 and 61 programs would be sufficient to reduce total operating costs to market rents when substituted for ILM program assistance. This was considered to be a reasonable assumption given the perceived "evolution" in co-operative housing programs toward tighter cost controls and reduced budgets. Further, general proposal selection criteria under the ILM program includes one of minimising federal subsidy requirements. On the other hand, previous programs both had established subsidy caps for individual co-operative projects. Under the Section 61 program, this involved a 10 per cent capital contribution and a mortgage interest rate written down to 8 per cent on the remaining 90 per cent of capital costs. The Section 95 program set an interest rate write-down to 2 per cent as the maximum assistance available in year one and this total subsidy package was expected to include both supply assistance and additional RGI assistance for low-income residents. The supply assistance component of the Section 95 program also provided for the setting of "low end of market" rents whereas this model sets market rents. The ILM program has no such provision for a subsidy cap on individual co-operatives. Supply assistance is set to bridge the gap between economic and market rents without any explicit cap.

The validity of the assumption that maximum federal assistance under the Sections 61 and 95 programs is sufficient to adequately subsidise co-operatives committed under the FCHP was tested and the results are presented in Table 13.5. The indicator used is total costs, including mortgage payments net of maximum federal assistance, expressed as a ratio of market rents, in year one. If this ratio is 100 per cent or less, then the co-operative can operate on a break-even basis in year one by charging market rent. A non-viable project is deemed to exist if this ratio exceeds 100 per cent (implying that the co-operative experiences a financial loss in year one by charging market rent).

TABLE 13.5
DISTRIBUTION OF NET COST-REVENUE RATIOS IN YEAR ONE RESULTING FROM APPLICATION OF SECTIONS 61 AND 95 SUPPLY ASSISTANCE TO ILM CO-OPERATIVES

COSTS/REVENUES IN YEAR ONE AFTER FEDERAL ASSISTANCE	INCIDENCE OF VIABILITY SECTION 61		SECTION 95	
	NUMBER	PER CENT	NUMBER	PER CENT
100 % or less (viable)	28	7.6	282	76.4
NOT VIABLE				
101 - 105 %	14	3.8	36	9.8
106 - 109 %	30	8.1	20	5.4
110 - 114 %	37	10.0	9	2.4
115 - 119 %	33	8.9	10	2.7
120 - 124 %	48	13.0	7	1.9
125 - 129 %	44	11.9	1	0.3
130 - 134 %	40	10.8	2	0.5
135 - 139 %	24	6.5	1	0.3
140 - 144 %	25	6.8	0	0.0
145 - 149 %	9	2.4	0	0.0
150 % or more	37	10.0	1	0.3

SOURCE: Program Delivery System (ILM86PR), CMHC, August 1990.
NOTE: Operating costs in year one are calculated net of required federal assistance in year one or net of maximum federal assistance in year one (whichever level of assistance is lower).

As seen in Table 13.5, only 7.6 per cent of co-operative projects committed under the FCHP would have had sufficient assistance with the substitution of Section 61 assistance for ILM federal assistance. Section 61 assistance does not even come close to being sufficient to fully subsidise many FCHP projects. For example, 61.4 per cent of these projects experience a loss equal to 20 per cent or more of revenues in year one, while 10.0 per cent experience a loss of 50 per cent or more of revenues (based on market rents).

FCHP co-operatives, had they been funded under the Section 95 program, would have fared much better than under the Section 61 program. However, even with the provision of maximum assistance equivalent to an interest rate write-down to 2 per cent all being applied as "supply assistance", and with rents set at market rather than low end of market, 23.6 per cent of FCHP co-operatives would have experienced a loss in year one. The extent of this viability problem is far less serious than that which is seen for the Section 61 program.

Table 13.6 shows present value cost estimates which are based on the baseline estimates presented in Table 13.1, but with one important modification. Sections 61 and 95 estimates presented in Table 13.6 provide all assistance necessary to ensure the project is fully subsidised in year one. Under the Section 95 program, this is effected by the provision of any assistance necessary to bridge the gap between economic and market rents in year one, regardless of the cap. Section 61 assistance is enhanced, if necessary, by increasing the existing 10 per cent capital contribution in 1 per cent increments until sufficient subsidy is achieved.

As seen in Table 13.6, this adjustment to the baseline set of assumptions has a major impact on present value cost estimates for the Section 61 program. With a 5 per cent real discount rate, the present value of federal assistance rises from $16,592 to $31,526 with the adjustment. Section 95 present values rise from $27,118 to $33,712 with this adjustment. Overall, by adjusting assistance to ensure project viability, the FCHP shows a higher level of cost-effectiveness than the previous programs.

TABLE 13.6
ESTIMATED PRESENT VALUE COSTS OF FEDERAL CO-OPERATIVE HOUSING PROGRAMS WITH ADJUSTMENT TO ASSURE PROJECT VIABILITY, USING ILM CO-OPERATIVES ONLY

	REAL DISCOUNT RATE	1989 DOLLARS TOTAL PRESENT VALUE COST	1989 DOLLARS PER UNIT PRESENT VALUE COST
ILM program	5%	348,588,591	30,532
	7.5%	283,507,613	24,831
	10%	237,881,503	20,836
Section 61 program	5%	359,928,230	31,526
	7.5%	454,478,198	39,807
	10%	518,882,563	45,448
Section 95 program	5%	384,894,138	33,712
	7.5%	347,230,938	30,414
	10%	316,648,678	27,735

SOURCE: Program Delivery System (ILMPR86), CMHC, August 1990.
NOTE: First year federal assistance under Section 95 disregards maximum level which results in an effective 2 per cent mortgage interest rate.

These findings raise several questions about the levels of FCHP program funding in individual co-operatives. The ILM program design appears more cost-effective than designs under previous programs. However, the fact that viability would not have been possible for many co-operatives under those previous designs suggests that program delivery may not be optimal. The lack of funding caps on individual projects may also play a role.

C. Dynamic Simulation Results

Previous sections on the static cost-effectiveness analysis examined program costs under the assumptions that the level of premiums to the MIF and Stabilisation Fund were actuarially fair. Total costs therefore did not reflect potential gains or losses related to the surpluses and deficits to the MIF and Stabilisation Funds. Furthermore, assumptions in the static analysis relating to economic variables such as inflation rates, interest rates and market rents remained fixed over the life of the mortgage. The static analysis therefore does not take into account the potential impacts of economic cycles over the life of the mortgage.

The dynamic cost-effectiveness analysis is based on the results of the ILM Risk Analysis Study presented in Chapter

XI. The risk model simulated economic cycles over the life of the mortgages under three economic scenarios and was used to examine claims to the MIF due to defaults and losses to the Stabilisation Fund caused by non-repayment of loans[1].

This section will examine the total costs to the government to assist co-operative housing over the life of the mortgages for the five program designs tested in the ILM Risk Analysis Study. These program designs are:

1. The current FCHP;
2. the FCHP with a no tilt ILM (No Tilt ILM);
3. an ILM program with the federal assistance adjusted according to local market rent indices and with a no tilt ILM (Local Market Rent Index ILM);
4. an ILM program with no MIF or Stabilisation Fund Premiums and where federal assistance is increased if necessary to avoid defaults (Cash-feed ILM); and
5. an EPM program with no MIF or Stabilisation Fund Premiums and where federal assistance is equal to the necessary level to bridge the gap between economic rent and occupancy charges (Cash-feed EPM).

   In later years, once occupancy charges exceed economic rents, repayments equal to the excess of occupancy charges over economic rents are made to the government.

The risk analysis model was not able to successfully examine the level of default risks associated with the Section 95 program because of the project viability problems associated with this program when using ILM commitment data. These problems were discussed in the previous section.

Occupancy charges are held at the same level at the same time under the FCHP, Cash-feed ILM and Cash-feed EPM program designs. This permits us to conduct cost-effectiveness analysis of, first, providing cash assistance to co-operatives in difficulty instead of letting them default, and second, of providing co-operative housing units with the use of an ILM versus an EPM. Occupancy charges increase at a faster rate under the No-tilt ILM while they are more dependent on changes in the local market rent index under the Market Rent Index ILM.

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[1] Refer to Chapter XI for more information on the economic scenarios and other aspects of the ILM Risk Analysis Study.

As in Chapter X1, all costs are expressed in present values as a percentage of capital costs. Total costs include the present value of all direct federal assistance, the present value of surpluses or deficits to the MIF and the present value of the premium shortfall, if any, to the Stabilisation Fund.

The structure of the model did not permit the termination of new Stabilisation Fund loans once receipts of all the premiums from the co-operatives in the model had been exhausted. The Stabilisation Fund was therefore allowed to continue making loans as if premium receipts continued to flow in from newly committed co-operatives and thus experience a premium shortfall.

Under scenario 3, the resulting premium shortfalls to the Stabilisation Fund are so large that it is questionable whether the annual receipts of new premiums would be sufficient to meet demand. In any event, the premium shortfalls to the Stabilisation Fund represent costs to be borne. Without these additional loans which result in the premium shortfalls to the Stabilisation Fund, defaults would happen earlier and be more numerous resulting in higher losses to the MIF.

Table 13.7 presents the total costs of the various program designs under the three economic scenarios. At 40.3 per cent of capital costs, total costs for the current program are only 2 per cent higher under scenario 2 than under scenario 1. Total costs for the FCHP however climb up to 57.7 of capital costs under scenario 3.

Interestingly, the No Tilt FCHP, despite higher MIF claims and Stabilisation losses, is the most cost-effective under scenario 2 with total costs of 30.3 per cent of capital costs. This lower total cost results from the lower level of federal assistance required to make the projects viable in early years once the 2 per cent tilt factor is removed. However, the financial vulnerability of the co-operatives with no tilt factor is illustrated by the dramatic increase in total costs to 67.9 per cent under economic scenario 3 because of high MIF and Stabilisation Fund deficits.

Like the No Tilt FCHP, the Market Rent Index ILM had lower total costs than the current program under scenario 2 at 35.4 per cent of capital costs, but had the highest total costs of all program designs at 72.9 per cent of capital costs under scenario 3.

Overall, based on the simulations performed for this evaluation, the most cost-effective program design proved to be the Cash-feed ILM. Total costs for this program design remained low and stable under both economic scenarios 2 and 3 at respectively 36.6 and 40.3 per cent of capital costs[1].

Finally, Table 13.7 presents total costs for the Cash-feed EPM program design. Total costs for the Cash-feed EPM exceed 48 per cent of capital costs under both scenario 2 and 3. When the Cash-feed EPM total costs are compared with the results for the Cash-feed ILM, the savings to the government resulting from the use of an ILM instead of an EPM are evident. In conclusion, based on the simulations performed for this evaluation, the Cash-feed ILM program design is not only more effective than other program designs where defaults are allowed to occur but is more cost-effective than a similar program design using an EPM.

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[1] Under the Cash-feed ILM and Cash-feed EPM, six per cent was subtracted from the direct costs of federal assistance to reflect the fact that the MIF and the Stabilisation Fund premiums are not needed under these two program designs.

TABLE 13.7
TOTAL COSTS OF ASSISTANCE AS PERCENTAGE OF CAPITAL COSTS FOR VARIOUS PROGRAM ALTERNATIVES UNDER THREE ECONOMIC SCENARIOS

PROGRAM ALTERNATIVES	DIRECT COST OF FEDERAL ASSIST A	MIF (SURPLUS)/ DEFICIT[1] B	STAB. FUND. PREMIUM SHORTFALL C	TOTAL COSTS (A+B+C)
		(% OF CAPITAL COSTS)		
ECONOMIC SCENARIO 1				
Current ILM program	41.3	(3.0)	0.0	38.3
ECONOMIC SCENARIO 2				
Current ILM program	43.2	(2.9)	0.0	40.3
ILM program W/O 2% tilt	29.9	(1.4)	1.8	30.3
Market rent index ILM	38.2	(2.8)	0.0	35.4
Cash feed ILM	36.6	-	-	36.6
Cash feed EPM	48.6	-	-	48.6
ECONOMIC SCENARIO 3				
Current ILM program	42.7	2.8	12.2	57.7
ILM program W/O 2% tilt	21.0	18.4	22.5	67.9
Market rent index ILM	44.4	4.1	24.4	72.9
Cash feed ILM	40.3	-	-	40.3
Cash feed EPM	51.6	-	-	51.6

SOURCE: ILM Risk Analysis Study, CMHC, 1990.
NOTE: [1] MIF surplus expressed as negative.

D. Summary

This chapter examines the cost-effectiveness of market "supply assistance" under the three federal co-operative housing programs. Deeper geared-to-income assistance, such as that provided under the Rent Supplement component of the FCHP, is specifically excluded. The analysis considers the present value of the direct costs incurred by the government for the Federal Co-operative Housing Program portfolio including, in the dynamic analysis, costs related to the default of projects and resulting liabilities to the Mortgage Insurance Fund and Stabilisation Fund.

In the static cost-effectiveness analysis, all 369 projects consisting of 11,417 units committed under the Federal Co-operative Housing Program from 1986 to 1989 were considered. Using a 7.5 per cent real discount rate and assuming that the maximum federal assistance available under the Sections 61 and 95 programs is sufficient, estimated per unit present value costs are $24,831 for the FCHP, $24,651 for the Section 95 program and $27,518 for the Section 61 program design. Direct federal assistance for all commitments from 1986 to 1989 under the FCHP are estimated to cost the government $283,507,613 in constant 1989 dollars.

Further analysis of the validity of the assumption that maximum federal assistance available under the Sections 61 and 95 program designs demonstrated some interesting results. Seventy-six per cent of FCHP projects under the Section 95 design and only 7.6 per cent of FCHP projects under the Section 61 design would have received sufficient financial assistance. Removal of the individual project funding caps under the Sections 61 and 95 programs reveals per unit present values in direct federal assistance to be $30,414 for the Section 95 program design and $39,807 under the Section 61 program design. These compare unfavourably to the $24,831 attributed to the FCHP program design.

Disaggregation of per unit costs under the Federal Co-operative Housing Program show that federal assistance has tended to be higher in Eastern Canada than in the West. This trend is a result of relative differences in market rents and operating costs (other than mortgage payments) rather than differences in capital costs. Units developed by new construction with an average present value in federal assistance at $26,012, are more costly to the federal government than units developed through acquisition (at $21,420). Co-operative units developed as part of a large project (30 or more units) required less federal assistance than units developed as part of smaller co-operatives. Finally, a major increase in federal assistance requirements is evident from the 32 per cent increase (constant dollars) in present value of federal assistance from commitments made in 1986 to those made in 1989.

A number of experimental modifications to the FCHP program design and to actual experience with the program within the static framework were carried out. The purpose was to determine the sensitivity of the results to the assumptions of the static cost-effectiveness model and to explore potential ways of making the FCHP more cost-effective. Modification of the 30 year planned amortisation parameter has only a modest effect on federal assistance requirements, while changes in the tilt, downpayment requirement or real interest rates can have a major effect on the present value of federal assistance.

The cost-effectiveness of the Federal Co-operative Housing Program was further investigated using the ILM Risk Analysis Model, whereby total costs including the present values of direct federal assistance and surpluses/deficits to the MIF and Stabilisation Fund are expressed as a percentage of capital costs. This dynamic analysis examined the role of the Index Linked Mortgage in helping to improve program cost-effectiveness as compared to the use of an Equal Payment Mortgage. Total costs of federal assistance are estimated to be consistently higher in the simulation exercise when co-operatives are financed using an Equal Payment Mortgage when compared to the ILM mortgage under the same assumptions.

In economic scenario 2, the ILM with no tilt is the most cost-effective design tested, resulting in total costs of 30.3 per cent of capital costs. However, the financial vulnerability of the lack of a tilt is illustrated by the dramatic increase in total costs to 61.9 per cent under economic scenario 3 due to high MIF and Stabilisation Fund losses. Overall, based on the simulation findings, the cash-feed ILM program design appears to be the most cost-effective under economic scenario 3 and remains reasonably cost-effective under economic scenario 2.

The current program is more cost-effective than a program with an ILM without a tilt factor or than a program with an ILM using a local market rent index in economic scenario 3. However, in scenario 2, both alternative versions resulted in lower costs.

XIV SUMMARY AND CONCLUSIONS

This chapter summarises the main findings of the evaluation and presents conclusions. The summary has nine sections which cover the characteristics of the stock including its physical condition; the need and market for co-operative housing; the achievement of program objectives; management and delivery of co-operative housing; the ILM mechanism; and program cost-effectiveness. The conclusions assess the rationale for the FCHP in light of the evaluation findings.

A. SUMMARY

CHARACTERISTICS OF THE CO-OPERATIVE HOUSING STOCK

The co-operative housing stock is diverse in character.

Co-operative housing developed under the three federal programs since 1973 includes housing in every Canadian province and territory. Nearly 70 per cent of the 56,745 co-operative units were provided under the Section 95 Program, 12 per cent under the Section 61 Program and about 18 per cent under the current FCHP.

Most housing co-operatives are less than ten years old.

Nearly 90 per cent of co-operative housing units are less than ten years old and nearly 40 per cent are less than five years old. Less than one per cent of the stock is over 15 years old. British Columbia and Alberta have a large proportion of the older co-operative housing stock.

The majority of co-operative units are in row houses and apartment buildings.

Projects include a variety of building types ranging from single family detached homes to large, high rise buildings. The majority of units are in row housing and apartment buildings, and the FCHP since 1986 has developed increased proportions of apartment projects when compared with the earlier programs.

Co-operatives are moving from acquisition to new construction as the most frequent form of development. Average project size has been constant across all programs.

New construction was used to develop 32.2 per cent of Section 61 co-operatives, 51.7 per cent of Section 95 co-operatives and 63.6 per cent of FCHP co-operatives. Project size has not varied substantially; from an average of 31 units under Section 61 to an average of 35 units under Section 95 and back to an average of 32 units under FCHP. A notable trend in the FCHP has been toward decreased proportions of the smallest projects (that is, those with less than 10 units), and increased proportions of projects in the 10 to 49 unit category. Differences occur in the characteristics of co-operative housing projects from province to province. For example, co-operative projects tend to be small in Québec, whereas Ontario has a large proportion of the largest projects. Alberta and British Columbia tend to have higher density co-operative projects.

Family type housing comprises the majority of units of co-operative housing.

Overall, 94 per cent of the co-operative housing stock is family housing, about 5 per cent for seniors and a small proportion for households with special needs such as the disabled. The FCHP has shown a trend toward increased stock for seniors, especially in Saskatchewan and Manitoba where 65 per cent and 100 per cent respectively of housing developed under the FCHP has been for seniors. Co-operatives in these two provinces also focused on developing seniors' co-operative housing under the former programs.

Co-operative housing programs have been most active in Québec, Ontario and British Columbia.

Together Québec, Ontario and British Columbia have 48,173 units accounting for 84.9 per cent of the total. Their share of Section 61 units was 92 per cent but this has fallen to just over 80 per cent under FCHP.

PHYSICAL CONDITION OF THE STOCK

The co-operative housing stock is in good condition overall.

As would be expected given the age profile of the stock, most co-operative housing is in good condition. The Physical Condition Survey showed that 98 per cent of co-operative housing projects meet NHA Minimum Property Standards for Existing Residential Buildings. Less than 1.0 per cent of co-operative housing units fail to meet the NHA Standards, most of these in older projects. No FCHP projects were found to fail NHA Standards.

Comparison of the co-operative housing stock with public housing and private, owner-occupied stock showed that the repair requirements of co-operative housing are comparable to requirements in these other sectors when age is controlled.

Overall, repair and replacement costs are modest.

As part of the Physical Condition Survey, CMHC inspectors recommended repair and replacement requirements valued at an estimated $58.8 million for the co-operative housing stock nationwide. In most cases, repair and replacement costs are fairly modest. Measured on a per unit basis, the average repair cost is $1,166. A large proportion of these requirements are in the portion of stock that meets the NHA Minimum Property Standards for Existing Residential Buildings.

Section 61 is the oldest program and projects built under it now require over $12.6 million in repairs, or 21.5 per cent of the national total. Section 95 projects need $43 million or 73.1 per cent of the total while the FCHP projects need only $3.2 million or 5.4 per cent of the total. On a per unit basis, repair costs were estimated at $1,954 for Section 61 co-operatives, $1,171 for Section 95 co-operatives and $439 for FCHP co-operatives. Just under 60 per cent of repair costs are associated with repairs to buildings while nearly 40 per cent is attributable to repairs to interiors of dwelling units.

Repair costs for some co-operative projects are high.

While most of the co-operative stock is in good condition, projects falling below the NHA Minimum Property Standards may require substantial expenditures to improve conditions. For example, Section 61 projects below NHA Standards require an average of $17,024 per unit of repairs compared with $8,531 per unit in Section 95 projects below the NHA Standards. These repairs probably pose serious problems for the particular projects involved but comprise less than 6 per cent of the total repair needs of the co-operative stock.

Co-operatives established through the acquisition of existing buildings are more costly to repair than co-operatives developed through new construction.

Differences in repair needs between newly constructed versus acquired/renovated projects were found to be less than expected for Section 61 projects but costs were nearly 35 per cent higher in acquired Section 95 projects.

Co-operative housing repair and replacement reserves are inadequate to meet repair needs for up to 55 per cent of units.

Under CMHC/Co-operative Agreements, housing co-operatives are required to maintain projects in a satisfactory state of repair. Ongoing maintenance is funded through current revenues and co-operatives are required to set aside reserve funds to cover periodic, major capital expenses. Since each co-operative is an autonomous fiscal entity, reserve funds may not be transferred among projects. An excess of reserves over repair needs among one group of projects cannot be used to offset the deficits on other projects.

Overall, about 45 per cent of all co-operative units are in projects with surplus reserve funds. Section 61 projects that have inadequate reserves to meet repair needs have a shortfall of $2,800 per unit. Section 95 projects have a deficit of $1,353 per unit. The largest repair requirements are in those projects with large reserve deficits. These estimates marginally overstate the size of physical condition problems due to the inclusion of minor repairs in the condition survey.

NEED AND MARKET FOR CO-OPERATIVE HOUSING

Nationally, a significant percentage of renter households cannot afford homeownership.

Nationally, just under one-third of renter households with incomes above the core need income thresholds (CNIT's) cannot afford to purchase a suitable dwelling at 10 per cent mortgage interest rates. This percentage climbs to just over 55 per cent if interest rates are at 15 per cent. At 10 per cent mortgage interest rates, 91.8 per cent of households above CNIT unable to afford homeownership are in Ontario, B.C. and Québec, while at 15 per cent mortgage interest rates, 86.0 per cent are in these three provinces.

Homeownership affordability varies by market.

The evidence suggests the need to reconsider co-operative housing assistance in some markets where homeownership is more affordable. If these markets also experience high vacancy rates, co-operative housing may have difficulty competing in the local market place.

There is evidence that some security of tenure problems exist among renters.

Security of tenure problems are more frequent among younger and low-income households. While the data collected for the evaluation overestimate the incidence of security of tenure problems, up to 10 per cent or 329,000 of all renter households are estimated to experience security of tenure problems annually. Most problems are related to high housing costs in comparison to income and fewer to non-economic security of tenure problems (e.g. evictions).

Overall, there is considerable interest in co-operative housing.

Most Canadians are familiar with co-operative housing. Overall, an estimated 164,000 to 400,000 households are interested in co-operative housing. The upper limit of 400,000 households is based on a survey of the general population in which respondents were asked if they would move into a co-operative if a suitable unit were available at market rent. Waiting list data show that there is interest in both RGI and non-RGI units.

Co-operative housing experiences low turnover and low vacancy rates.

In general, co-operative housing experiences lower turnover rates than rental housing but higher turnover rates than the ownership sector. When compared to private rental housing, low vacancy rates in co-operatives may be an indicator of the strong demand for this form of tenure. On the other hand, the data show the sensitivity of demand for co-operative housing to local housing market demand/supply conditions.

Rents in Section 61 and 95 co-operatives are lower than in the private rental market.

A standardised comparison of occupancy charges in co-operatives and private market rents shows occupancy charges in Section 61 and Section 95 co-operatives to be below market. On the other hand, the analysis suggests that FCHP housing units are at market rents.

Housing co-operatives try to meet the needs of special types of households.

The survey results show that a large percentage of co-operatives try to meet the needs of special types of households such as non-elderly singles without children, single-parent households, elderly people and disabled or handicapped.

Many residents leave co-operative housing to purchase their own home.

The most frequently identified factor contributing to resident turnover was residents moving to purchase their own home. The data imply that co-operative housing often leads to individual homeownership for some co-operative residents in a majority of co-operatives.

ACHIEVEMENT OF PROGRAM OBJECTIVES

The federal co-operative housing programs are only partly serving moderate-income households.

The income profile of residents in co-operative housing broadly reflects the distribution of income of all renter households in Canada. However, the co-operative housing stock tends to have fewer households in both the lowest and highest income groups of less than $10,000 and more than $50,000.

Almost one-half of non-RGI households in each federal program have incomes above the Statistics Canada Upper Limit, Second Quintile of Family Income by province. This proportion ranges from 40 per cent in the Section 61 portfolio to 47 per cent in each of the Section 95 and FCHP program portfolios.

Non-RGI housing in the FCHP co-operative housing program are explicitly intended to serve "moderate-income households who cannot access homeownership". The evidence indicates that nearly one-half of non-RGI FCHP resident households can access homeownership of a median-priced NHA-insured home in their urban area with a minimum downpayment. In addition, one-third of non-RGI residents living in FCHP co-operatives, when asked, indicated that they can afford homeownership, or did not know whether they could afford homeownership.

Rent Supplement units in FCHP co-operatives have been well-targeted to low-income households.

Nearly 90 per cent of RGI households in FCHP co-operatives have incomes below the Core Need Income Threshold (CNIT), while nearly three-quarters are below Statistics Canada's more restrictive Low Income Cut-Offs. Residents who identified themselves as RGI in the other federal co-operative housing program portfolios were less likely to have incomes below CNIT (60 per cent in Section 61 and 72 per cent in Section 95) or below the Low Income Cut-Offs (45 per cent in Section 61 and 50 per cent in Section 95).

The earlier co-operative housing programs do not appear to be serving households with substantially lower incomes than the current program.

Income distributions and mean incomes across the three federal co-operative housing programs show general income profiles which are similar. Mean annual incomes range from $25,343 in the Section 95 stock to $27,670 in the Section 61 stock, while the mean income in FCHP co-operatives is $26,468. Some evidence was found to partially support the existence of an "income gap" in the FCHP co-operative housing portfolio.

The 1983 Section 56.1 Evaluation found that 54.2 per cent of Section 95 co-operative housing residents had incomes below the mean national income for all renter households in 1981. The comparable incidence for 1989 among Section 95 residents is estimated to be 60.6 per cent, suggesting a modest decline in the incomes of Section 95 co-operative residents relative to renter households over the period 1981 to 1989.

A large majority of co-operatives are income-mixed.

Evidence gathered as part of the survey of co-operative housing residents show that a majority of residents in each of the federal co-operative housing portfolios live in co-operatives in which 30 to 60 per cent of each co-operative's residents have incomes below the Core Need Income Threshold.

Some co-operative housing residents are in core housing need.

Evidence gathered from the survey of co-operative housing residents yielded the estimated incidence of core need among co-operative housing residents to be 26 per cent in the Section 61 portfolio, 27 per cent in the FCHP portfolio and 31 per cent in the Section 95 co-operative housing portfolio. Overall, the incidence of core need was much higher among residents who identified themselves as RGI, where the proportion of residents in core need ranges from 31.1 in Section 61 to 48.2 per cent in the FCHP stock. Affordability problems are the cause of core need among the large majority of residents in core need. This suggests that the Rent Supplement component of the Federal Co-operative Housing Program is not fully meeting its objective of providing affordable housing to low-income households.

Evidence suggests that factors contributing to the high incidence of affordability problems include the fact that indicators for both income and occupancy charge are estimates provided by residents; and the fact that a majority of residents pay additional monthly charges for electricity, water, oil or gas.

The Federal Co-operative Housing Program has not provided demonstrably more security of tenure to moderate-income households than exists in the private rental housing market.

The evaluation uncovered little evidence to support the view that co-operative housing is providing significantly more security of tenure than is available in the private rental housing market. A comparison of the perceived level of security of tenure with respect to affordability between co-operative housing residents and the general population of renters showed little difference. This indicator relied on the perceptions of households as to the likelihood of having to move within one year as a result of affordability problems.

BENEFITS OF CO-OPERATIVE HOUSING

Co-operative housing residents are very satisfied with their housing.

Co-operative housing residents tend to report high levels of satisfaction with respect to various aspects of their housing and living environments. Residents of Section 61 and 95 co-operatives are more satisfied than FCHP residents but residents of all federal co-operative housing portfolios are more satisfied than Public Housing tenants and more satisfied than other renter and ownership tenures in Canada.

There is a high rate of resident participation in co-operative housing.

Depending on the program, between 76 and 90 per cent of residents have participated in one or more co-operative housing resident committees. A constant proportion of about 70 per cent of all residents devote from one to ten hours per month to co-operative activities and the mean number of hours is about eight hours per month. The few residents who spend no time on co-operative activities range from 9 (FCHP) to 13 per cent (Section 61). The estimated mean value of residents' time spent on co-operative activities ranges from $905 (Sections 61 and 95) to $1,430 (F/P Non-profit in Québec) per year. These estimates are based on a value of labour estimated at $10 per hour.

Most residents of co-operative housing have acquired useful skills and experience from their participation in co-operative management.

Participation of residents in co-operative management may provide opportunities for some residents to gain useful skills. Most residents who identified a skill they had acquired tended to mention attitudinal skills such as organisational skills and learning how to work with others than specific skills like bookkeeping or clerical skills. About one-third of residents in each of the federal co-operative housing programs believe they have acquired no useful skill from living in a co-operative.

A significant proportion of RGI residents have derived positive career-related benefits from their involvement in co-operative housing.

The proportion of RGI residents who indicated deriving some career-related benefit ranges from 1.2 per cent of FCHP residents who started their own business to 21.4 per cent of Section 61 RGI residents who started working outside the home as a result of co-operative living. In most cases, RGI residents are more likely to have reported such benefits. However, FCHP residents tended to be less likely than others to report these benefits. Overall, between 27.2 per cent (FCHP) and 39.2 per cent (Section 61) of RGI residents identified one or more types of specific benefits compared to a range of 16.3 per cent (FCHP) to 26.5 per cent (Section 95) among non-RGI residents.

A direct relationship between the level of income-mix within co-operatives and the accrual of social and economic benefits to low-income residents could not be definitively established.

Although some evidence from the case studies of a number of housing co-operatives suggests that income-mix is viewed in a positive light, statistical analysis of resident survey data failed to confirm the existence of a positive relationship between project-level income-mix and benefits accruing to low-income residents. Of the numerous tests conducted, significant correlations could only be established for levels of resident satisfaction and the acquisition of social skills in working together with others.

Co-operative housing has modest impacts on the surrounding community.

Case study findings suggest that the priority in co-operatives is to strengthen community life within the co-operative rather than emphasising links with the outside community. While co-operative residents participate in life in the broader community, some co-operatives tend to be rather isolated from the surrounding community, so that opportunities for community impacts are, in some cases, minimal. Data collected as part of the Survey of Managers/Coordinators, for example, showed that only 7.4 per cent of FCHP co-operatives and 10.8 per cent of Section 61 co-operatives are "very active" in helping to develop services, amenities or social activities in the local community. Managers/co-ordinators who stated that the involvement is "active" range from 29.5 per cent (FCHP) to 45.8 per cent (Section 61).

DELIVERY OF CO-OPERATIVE HOUSING

The co-operative housing delivery sector is comprised of 14 federations and 81 resource groups.

The co-operative delivery sector is comprised of 14 federations and 81 resource groups. Most of these are non-profit organisations under community, co-operative or employee control. Less than ten per cent were identified as privately-owned companies. Three-quarters of these groups were involved in co-operative housing development prior to introduction of the FCHP in 1986, and 76 per cent are members of CHF and 73 per cent are also a member of a provincial or regional co-operative federation. Québec has by far the largest number of resource groups and less than half of these are affiliated with CHF.

Most resource groups and federations are small in terms of staff size having fewer than 3 full-time professional and 3 full-time support staff. Based on current activity, resource groups provide services to 5 developing and 9 existing co-operative projects. Federations, whose activities are somewhat different, are involved with 10 developing and 39 existing co-operative projects. Federations and resource groups provide a wide range of development, management and financial services as well as being involved in general, co-operative sector activities.

A majority of CMHC Branches delivering the FCHP rated resource groups as effective in co-operative housing delivery.

Membership development, co-operative sector activities and property development services were rated as effective most often by CMHC delivery staff. Financial services provided by resource groups were rated as effective by half of CMHC Branches. Based on their responses, resource groups appear to be effective in involving housing co-operatives in the development and management of their projects. Survey data show that more than half the resource groups are usually involved in providing development services to co-operatives for over a year after the project Interest Adjustment Date.

CMHC delivery of the FCHP is rated as effective by nearly all CMHC Branch delivery staff and by the majority of resource groups.

Ninety per cent or more of CMHC Branch delivery staff rate their activities in delivery of the FCHP as effective. Resource groups also rated CMHC as effective in most areas, although to a somewhat lesser extent than CMHC Branches. Sixty-one per cent of resource groups said CMHC was effective in the area of approval process and 59 per cent said CMHC was effective in setting Maximum Unit Prices.

Proposal Development Funding is considered to be essential or important to the development of co-operative housing by both resource groups and CMHC Branch staff.

Resource groups and CMHC staff were in agreement that co-operative housing development would not proceed without provision of PDF loans. As well, three-quarters of resource groups and 95 per cent of CMHC staff rated the PDF program as effective, and both CMHC staff and resource groups feel that the increased maximum amounts will be sufficient. The main concerns raised about the PDF financing related to the sufficiency of the overall budget and the former $75,000 maximum. About a quarter of resource groups also raised concerns about the application process, and some questioned the amount of paperwork involved.

Ninety-four per cent of PDF funding is recoverable.

CMHC administrative data show that from 1986 to 1990, some $16.2 million was loaned under the PDF program for 491 projects, an average of $33,000 per project. For the same time period, $1.06 million of these loans for 91 projects were forgiven because the projects did not proceed. Therefore, total forgiveness under the program amounts to 6.5 per cent of the total expenditure, and 18.5 per cent of the projects involved did not proceed to development. The balance, ninety-four per cent, of PDF funding was recoverable when capitalised into project capital costs and mortgage financing.

These data suggest that the administration of PDF is efficient in selection of PDF applications likely to realise co-operative housing development.

Sector support contributions were rated by federations and resource groups as beneficial to housing co-operatives and the co-operative sector.

Between 1986 and 1989, sector support contributions have totalled $7.6 million. All contributions have been directed to CHF. Unused contributions in each year have been set aside in an endowment fund. Its present value at the end of 1989 was $2.5 million.

Ninety-four per cent of resource groups felt that the amounts contributed by housing co-operatives for sector support were appropriate. Eighty per cent or more felt that these contributions have benefits such as providing some autonomy from government funding, linking housing co-operatives to the sector, and assisting development of sector services for co-operatives. Less than ten per cent of respondents felt that these contributions placed an unreasonable burden on co-operatives, and only 14 per cent felt they created unrealistic expectations of services. Some resource group respondents felt that these contributions should be mandatory rather than optional, and some suggested that they be considered as eligible operating expenses in determination of annual assistance.

Some respondents suggested that co-operatives were not adequately informed about how the funds were being used and that CHF should have a brief outline of the services made available with this funding. It was also suggested that monies from the funds should be reinvested in the development of new co-operatives through land banking, project development, short-term and bridge-financing.

Improved liaison between resource groups and CMHC would be beneficial to program delivery.

Both CMHC Branches and resource groups commented on the need for improved liaison between each other in delivery of the program. Some respondents suggested a formal committee with regular meetings. In some instances, resource groups seem to favour a closer, more collaborative working relationship with CMHC Branches. Other groups suggested that CMHC should require full-service packages from resource groups, and that only accredited groups should be allowed to provide services. Comments received suggest that program delivery is working well, and focused on ways to improve working relationships to better deliver the program by increased understanding of the roles of the various agencies involved.

Education and training could be improved especially with respect to program guidelines, policies and procedures.

CMHC Branches suggested that CMHC provide training on what is required of co-operatives and resource groups and that CMHC work with CHF to develop training on program guidelines and procedures to promote understanding of CMHC's role in the program. About a third of the resource groups suggested that education expenses be included in co-operatives' operating budgets and that amounts currently expended be increased to improve member decision-making skills. As well, training materials are required for new resource groups to assist them in developing services.

MANAGEMENT OF CO-OPERATIVE HOUSING

Co-operatives include a range of management approaches.

A majority of co-operatives in all federal co-operative housing programs (over 70 per cent) are managed directly by the residents on a voluntary unpaid basis. Over 30 per cent of co-operatives across all federal co-operative housing programs retain full-time or part-time paid managers or contractors. Co-operatives under the F/P Non-profit Program retain a much higher proportion of full-time or part-time paid managers or contractors (about 80 per cent). Larger portfolios are more likely to be contracted out to paid managers.

Paid managers of co-operative housing have a high level of experience and training.

Paid managers for all co-operative housing programs have management experience comparable to property managers for the Public Housing Program (about 7 years), although paid managers of Section 61 co-operatives have 11 years of experience. Paid managers have gained most of their experience within the co-operative housing sector.

Although a higher proportion of paid managers of co-operative housing have a much higher level of university training than public housing managers, the proportion of managers with either high school graduation or a trade school/community college training is similar for both public housing and co-operative housing programs. One exception is the high proportion of paid managers for FCHP co-operatives (44.1 per cent) who have a trade school/community college training.

Although participation rates are high, a large number of co-operatives still do not have a resident or manager who has pursued courses considered important in the management of a co-operative.

Rates of participation for residents and managers have been particularly high for four courses offered to housing co-operatives: board of directors course, financial management course, member selection/orientation course and maintenance/management course. One or more residents in at least 50 per cent of co-operatives across all programs have taken each of these courses. Similarly, at least 40 per cent of managers across all programs have taken each of these courses. The corollary of this result is the high proportion of co-operatives across all programs where a resident or manager has not attended courses which appear critical to the management of co-operatives.

Procedures would appear to be in place to ensure that needed maintenance and improvement initiatives are undertaken.

At least 80 per cent of co-operatives across all programs have a maintenance committee. Co-operatives cite high participation rates for both managers and residents in a management/maintenance course.

Over 80 per cent of co-operatives across all programs report having updated their maintenance plan within the past year.

Residents' requests or complaints and inspections were identified by about 80 per cent of co-operatives across all programs as their primary means of identifying maintenance priorities. Committee or membership directives (over 60 per cent), resident requests or complaints (over 50 per cent) and physical inspections (over 47 per cent) were identified by co-operatives across all programs as the most important means of identifying improvement priorities.

Evidence suggests that maintenance and improvement is being postponed.

Between 40 per cent (FCHP) and 52.8 per cent (Section 61) of managers report postponement of either maintenance or improvement activities. Lack of budget was reported by managers as the principal reason for the postponement of maintenance and improvement for between one-quarter and one-third of co-operatives identifying this as a factor (FCHP co-operatives, at 14.3 per cent is an exception). According to co-operative managers, lack of residents' time was an important factor contributing to postponed maintenance for Section 95 co-operatives (29.9 per cent) and FCHP co-operatives (30.3 per cent).

Co-operatives use a range of methods for identifying and screening prospective co-operative housing members.

The key means identified by co-operative managers for finding new members were word-of-mouth (over 80 per cent), recruitment by co-operative residents (over 70 per cent) and for FCHP co-operatives, advertising in local newspapers (67.4 per cent).

The principal methods used by co-operatives across all programs for the screening of housing applicants were personal interviews (over 90 per cent), credit checks (55 to 72 per cent) and references (54 to 60 per cent).

Referral by provincial or municipal agencies is not a significant means of identifying prospective RGI members.

Only in FCHP projects in Ontario and British Columbia have referrals from provincial or municipal agencies resulted in successful applicants in more than a few cases. The fact that RGI members are expected to meet basically the same eligibility criteria as non-RGI members may contribute to problems in filling vacancies in RGI units. Managers report that their co-operatives do have some difficulty filling these units (between 12.9 per cent for FCHP to 25.0 per cent for Section 61). Referrals from provinces and municipalities are subject to a high level of scrutiny. Between 1.5 referrals (Section 61) and 3.1 referrals (FCHP) are required to fill one RGI unit vacancy.

The Rent Supplement Component of the Federal Co-operative Housing Program is serving residents with a range of incomes below the applicable Core Need Income Threshold.

Rent Supplement Program Guidelines state that within the Core Need Income Thresholds (CNIT's), the number of units directed to households at the upper income levels of the thresholds will not exceed their proportionate share of need. The evidence shows that the FCHP is serving residents with a range of incomes below the applicable Core Need Income Threshold. Forty-five per cent of FCHP RGI tenants have incomes less than 50 per cent of the applicable CNIT compared to less than 27 per cent in the general population of core need households. Only 20 per cent of FCHP RGI tenants have incomes between 75 and 100 per cent of the applicable CNIT. This compares with 32 per cent in the general population of core need households.

Manager and resident assessments indicate that co-operatives are effectively managed; however, it would appear that co-operatives face a challenge in managing volunteer labour.

Managers were asked to assess the overall effectiveness of management in their cooperative. Over 91 per cent of managers across all co-operative housing programs considered their co-operative to be effectively managed. However, less than 66 per cent of managers considered resident education to be an area which was effectively managed.

Residents were also asked to rate their satisfaction with the management of their co-operative. Although demonstrating overall a high level of satisfaction with the management of their co-operative, residents across all co-operative housing programs were least satisfied with coordination of volunteers (under 77 per cent), encouraging resident participation (under 77 per cent) and resident selection (under 77 per cent).

Managers identified management problems in the area of volunteer input most often experienced by co-operatives. Lack of resident commitment, lack of courses for residents and excessive demands on residents' time were the management problems most often experienced across all co-operative housing programs.

Some co-operatives have experienced financial difficulties.

According to managers of FCHP co-operatives, over 17 per cent of co-operatives have experienced financial difficulty over the past five years. Comparable figures for Section 61 co-operatives (20.1 per cent) and Section 95 co-operatives (24.5 per cent) are somewhat higher.

For FCHP cooperatives, two prominent reasons for financial difficulty, high vacancy rates (62.2 per cent) and high expenses (44.4 per cent), were cited by managers. Ineffective management was considered to be the greatest cause of financial difficulty by managers of Section 61 co-operatives (46.2 per cent) and Section 95 co-operatives (42.9 per cent).

Managers of co-operatives also experience challenges in addressing the short-term financial assistance needs of occupants suffering a loss of income. At least 20 per cent of managers cited their inability to provide short-term financial assistance to occupants needing temporary assistance. The problem, as rated by managers, was particularly severe for Section 61 co-operatives where over 56 per cent of managers felt they were unable to provide short-term financial assistance. In contrast, 59 per cent of managers of Section 95 co-operatives believed they could provide short-term assistance whenever it was needed.

Operating costs in co-operative housing compare favourably with costs in public housing and in non-profit housing.

Average operating costs for public and non-profit housing are from $3,300 to $6,500 per unit, depending on the particular program involved compared with less than $3,000 for all types of co-operative housing programs.

ILM MECHANISM

Real interest rates on the ILM have been higher than expected but compare favourably to real interest rates realised on other investments between 1985 and 1989.

The cost savings from lower real interest rates on the ILM in the long term will depend largely on how real rates of return on alternative investments vary over the amortisation period. A remaining question is whether the 1980's marked the beginning of a period of higher real interest rates than in the 1960's and 1970's.

A number of changes could be made to the ILM to increase interest amongst investors and competition.

First, a commitment to the ILM could be made to erase the uncertainty linked to the experimental nature of the current program. Second, a guaranteed stream of payment would prevent the uncertainty linked to the risk of prepayment in case of default. Third, a higher volume and ILM securities would improve the interest of investors. Fourth, improved information, external reviews of the ILM and improved marketing to the persons generating investment strategies and policies would also increase interest in the ILM.

The current ILM program design provides more protection against default than an ILM without a tilt factor or than an ILM with a local market rent index and no tilt factor.

The current program experienced a lower rate of defaults and of claims to the MIF when tested against these two program alternatives under scenario 2 and scenario 3. This finding is based on simulations of the ILM Risk Analysis Model.

The Mortgage Insurance Fund (MIF) is protected from default risk related to the use of an ILM under two of the economic scenarios tested. A contingent liability would however exist under the third scenario tested.

These results are based on simulations conducted as part of the ILM Risk Analysis Study. The results consider only default risks related to the use of an ILM. Other risks of default related to factors such as poor management, poor maintenance or construction deficiencies, were not considered in this analysis.

Under the current program, no default occurred under economic scenario 1 where, among other assumptions, market rents are assumed to increase on average faster than inflation. Claims to the MIF were minimal, at 0.1 per cent of capital costs, when one of the assumptions is that market rents on average keep pace with inflation.

Claims to the MIF, however, increased under scenario 3 when one of the assumptions is that market rents on average do not keep pace with inflation. The higher level of claims would result in a contingent liability equal to 2.8 per cent of capital costs. Furthermore, the Stabilisation Fund experienced a premium shortfall under this scenario.

The economic scenarios were all to a certain extent arbitrary. Their main purpose was to establish a range of default risk and the sensitivity of default risk to varying assumptions. A reassessment of the likelihood of each scenario will therefore be an integral task of policy makers in interpreting these results.

The Stabilisation Fund is an important safety mechanism in protecting the Mortgage Insurance Fund against losses.

Simulations performed as part of the ILM Risk Analysis Model showed that the Stabilisation Fund was frequently utilised by co-operatives thereby successfully averting a default situation with associated costs to the Mortgage Insurance Fund.

COST-EFFECTIVENESS

The FCHP program design is a more cost-effective way to deliver co-operative housing than the Section 61 and Section 95 programs.

The direct cost to the federal government for supply assistance for the 369 ILM project commitments from 1986 to 1989 is estimated to be $283,507,613. This present value figure does not include additional Rent Supplement assistance. Computation of present values under each of the three program designs (applied to FCHP co-operatives only) show the present value of supply assistance on a per unit basis to be $24,831 for the FCHP program, $39,807 under the Section 61 program design and $30,414 under the Section 95 program design.

Present value costs for recent FCHP co-operatives are higher than for FCHP co-operatives delivered earlier in the program.

From 1986 to 1989, the per unit present value of direct federal assistance to FCHP co-operatives has risen from $22,394 to $29,461 in constant 1989 dollars. This represents an increase of 32 per cent.

Overall, the current program is more cost effective than a program with an ILM without a tilt factor or than a program with an ILM using a local market rent index and no tilt factor.

Simulations performed as part of the ILM Risk Analysis Model show that under scenario 2, the ILM without tilt and the ILM using a local market rent index without a tilt have lower costs to government. However, costs for these program designs increased dramatically under scenario 3 and exceeded those of the current FCHP program. The financial vulnerability of the zero tilt is seen by the dramatic increase in total costs to 61.9 per cent of capital cost under economic scenario 3 due to high MIF and Stabilisation Fund losses.

An ILM program without MIF and Stabilisation premiums and where supplementary assistance would be provided to avoid default (i.e. a cash-feed program) would be more cost-effective than the current ILM program.

Based on the simulations performed for this analysis, costs for a cash-feed FCHP program would be less than under the current FCHP program as costs related to defaults are eliminated. The savings under a cash-feed program are even greater under scenario 3 when more defaults would occur.

The ILM is a more cost-effective mortgage instrument than the EPM to deliver co-operative housing.

Total costs to government consisting of federal assistance are estimated to be consistently higher in the simulation exercise when co-operatives are financed using an Equal Payment Mortgage when compared to the ILM mortgage under the same assumptions.

B. CONCLUSIONS

Chapter IV introduced a range of rationales for co-operative housing programs. The actual assessment of these rationales is based on evaluation findings presented in the previous summary. This section presents the main conclusions on program rationale.

Explicit Program Rationale for the 1986 Federal Co-operative Housing Program (FCHP).

The Federal Co-operative Housing Program was formally introduced in 1986 as a five-year experimental program with the following stated objective:

- to provide assistance for co-operative housing to promote security of tenure for households unable to access homeownership.

There appears to be evidence of security of tenure problems for moderate-income households unable to afford homeownership. Estimates suggest that up to 10 per cent or 329,000 of renter households experience security of tenure problems annually. In addition, depending on mortgage interest rates, between 30 and 60 per cent of renter households with income above CNIT's cannot afford homeownership. Furthermore, security of tenure problems are more frequent among lower-income households who are less likely to be able to afford homeownership.

The question remains whether the FCHP in its current form is the best and only way to address the security of tenure problems discussed above.

First, the current program does not appear to provide better security of tenure than the private rental market. The perceptions of security of tenure in the co-operative sector are not substantially different from perceptions in the private rental market. To a certain extent, this may not be surprising given that FCHP residents pay, at least initially, market rents, and that most security of tenure problems identified among recent movers related to the high costs of rents in comparison with income and not to evictions.

Second, not all co-operative residents appear unable to afford homeownership. Nearly one-half of non-RGI residents could afford the carrying costs for a modest home (assuming that they could make the initial down payment). This is supported by evidence that the most common reason for leaving a co-operative is the purchase of a home. Given that the program is receiving considerable subsidies, the question of improved targeting of the non-RGI component must be raised. To the extent that these households choose to remain in co-operatives, the potential supply of units for households unable to afford to purchase a home is reduced within the limited supply.

Third, the FCHP does not appear to serve well households with income above CNIT's but below that required to afford the market rents charged in FCHP co-operatives. Survey results illustrated the presence of a gap in the income profile of FCHP residents. Although modest, the gap has implications as these households who are not eligible for social housing assistance cannot afford homeownership and are more likely to experience security of tenure problems than higher-income households. To achieve some form of targeting of non-RGI co-operative housing units to households with income between CNIT's and the level necessary to afford the co-operative's market rents would require either some form of additional shallow subsidy to households in this income range or some variation in the setting of housing charges (that is setting charges below the market rent levels).

Fourth, the number of households experiencing security of tenure problems, as defined in the evaluation, means that only a very small portion of the problem can be addressed in any given year through the provision of additional housing units. Clearly there may be other ways of addressing this problem.

The evaluation also considered the rationale for using the Federal Co-operative Housing Program for delivery of rent supplement units. Referrals of prospective RGI tenants through local housing authorities is an important source of residents in only two provinces, suggesting that there may be some impediment between provincial social housing delivery agencies and co-operatives as operators of one segment of the social housing stock. However, it appears that, even without the assistance of provincial and municipal housing agencies, co-operatives are helping a broad spectrum of the intended social housing target group. Furthermore, as noted in the following section, many of the RGI residents benefit from living in co-operative housing. Affordability problems were, however, detected among some RGI residents.

The FCHP supplies a long-term stock of housing. Part of this stock is committed to the Rent Supplement Program for long periods, unlike private rental units that participate in the program for periods of five years or less.

Finally, another explicit rationale for the FCHP was to experiment with the use of an innovative mortgage instrument, the Index-Linked Mortgage (ILM). The evaluation reached several positive conclusions related to the ILM experiment.

The ILM has enabled CMHC to realise lower real interest rates than available on other investments over the same time period. The evaluation also found that the FCHP using an ILM was a more cost-effective alternative than previous programs using a conventional equal payment mortgage (EPM). Finally, the evaluation concluded that the MIF was protected against additional risks of defaults related to the use of an ILM under two of three economic scenarios.

On the other hand, a five-year period remains a short time span to evaluate the long-term performance of an instrument such as the ILM with a 30-year term. Long-term savings to the government will depend largely on long-term trends in real interest rates and how actual economic conditions influence the default risk patterns of the ILM. In this sense, the experiment with the ILM will continue as existing projects age further. Another success of the five-year experiment is therefore the provision of a sufficient pool of projects financed with an ILM to enable the study of its actual long-term performance.

Rationales Associated With Co-operative Housing.

The evaluation has shown that the federal programs have built up a sizeable stock of units of modest charge. While the broader societal benefits are less easily determined, the evaluation has shown that there is a high level of resident participation in co-operative housing and that many residents of co-operative housing have acquired useful skills, experience and career-related benefits from their involvement in co-operative housing. These findings apply both to RGI and non-RGI residents. The evaluation has also shown that the dollar value of self-help resident participation is high and that the operating costs in co-operative projects are lower than in comparable non-profit and public housing projects. While there appears to be a number of challenges in managing the whole process of volunteer labour, it appears that most co-operative residents are satisfied with life in co-operative housing. On the other hand, the evaluation was not able to provide evidence in support of a strong community impact of co-operative housing.

While the evaluation has shown that there are a range of benefits being produced as a result of co-operative housing, these benefits may not necessarily be translated into broader societal benefits and they must be weighed against the not insignificant costs to the federal government of producing the co-operative units. There may be other ways of providing these kinds of benefits. However, what may distinguish co-operative housing from other approaches is its ability to realize several kinds of benefits simultaneously. Therefore, in weighing the benefits and costs, the cumulative benefits attainable via a co-operative form of housing tenure should be assessed relative to other approaches.

What is less clear from the evaluation is the benefits of having income-mixed co-operatives. Although some evidence from the case studies of a number of housing co-operatives suggests that income mix is viewed in a positive light, analysis of resident survey data failed to confirm the existence of a positive relationship between project-level income-mix and benefits accruing to low-income residents.

Finally, limited evidence was found to support the hypothesis that co-operative housing serves a larger proportion of lower-income residents over time. A standardised comparison of the current income profile of Section 95 residents with the income profile for Section 95 residents in 1981 showed that a modest reduction in relative income had occurred. Other evidence indicates that the Sections 61 and 95 programs are providing low cost housing, but that higher-income residents do not show a great tendency to leave.